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ABSTRACT

Part A of this report examines the causes of the labor market problems of older workers and the policies that could alleviate these problems. Chapter I presents an overview of the report, including a summary of findings and conclusions and recommendations for improving the employment conditions of older workers. Chapter II describes the general population and labor force trends over the last several decades and those projected for the future. Chapter III examines older workers' employment, unemployment, earnings, and income. It describes the extent and causes of the employment problems of older workers. Chapter IV discusses employer programs and practices and government programs designed to redress the employment problems of older Americans and to provide increased employment opportunities for these individuals. Chapter V describes the relationship of retirement decisions to various public and private policies. Chapter VI presents the major conclusions of the study. The report explains that for all older workers, decisions concerning training, employment, and retirement are interconnected; these interconnections are important because policies affecting any one of them have implications for the others. Part B briefly describes completed and ongoing projects, organized according to four National Commission for Employment Policy work groups: Programs and Policies Project, National Employment Policy and Older Americans Project, Changes in the Workplace Project, and Special Projects. (YLB)

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Older Workers: Prospects, Problems and Policies

9th Annual Report

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Report No. 17
1985

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To The President and The Congress of The United States

The National Commission for Employment Policy is pleased to submit to you its Ninth Annual Report, *Older Workers: Prospects, Problems and Policies.*

Improved health, longer life expectancies, dramatic changes in the workplace and the aging of the post-World War II "baby boom" generation have forced us to take a new look at older workers. We want to know how to increase their job opportunities, and we worry about how they will fare in the changing job market, as well as about whether the working population will be able to support a growing number of retirees.

The National Commission for Employment Policy, with support from the Employment and Training Administration of the U.S. Department of Labor, undertook an intensive study of these issues. The Commission's report outlines its complete findings and recommendations. In brief. . .

- We found that for most older workers, age is an advantage in the job market. Their pay is higher, unemployment rates lower, and job loss is less likely than for younger workers.

- But for some 5 million or 10 percent of today's older workers the picture is not so good. Older workers who lose their jobs, or are members of minority groups, as well as many older women and those older workers who have health problems often face serious labor market problems.

- There is no denying that age discrimination exists, and the Commission supports vigorous enforcement of the Age Discrimination in Employment Act. It is important to know, however, that for many of the 5 million workers noted above, their problems are rooted in a lifetime of low levels of education, inadequate training, irregular work experience, poor health, occupational segregation, or sex and race discrimination. For others in this group, problems have come suddenly due to job loss or the onset of poor health.

- Knowing this we can supplement our age discrimination prevention policies with education, job training, displaced worker assistance, flexible work and other policies designed to address the needs of today's older workers, and to prevent problems for future generations. The Commission strongly supports both public and private efforts to achieve these objectives.

- The Commission identified many good examples of private sector employer programs and age neutral personnel practices that other companies could adopt to combat age discrimination and increase job opportunities for older workers, especially those workers approaching conventional retirement age.

- The Commission also found that there are needs that cannot be adequately addressed by employers alone.

- Government-sponsored employment and training programs have been successful in filling some of these gaps, and the Job Training Partnership Act, the U.S. Employment Service and the Senior Community Service Employment Program can help both low-income and displaced older workers increase their job prospects.

- To help both the private and public sectors better meet the needs of older workers, the Commission has published two separate reports: *Older Worker Employment Comes of Age: Practice and Potential* and *A Practitioner's Guide for Training Older Workers.*

- Current retirement policy has done much to relieve unemployment and poverty among older Americans, and the Social Security system now appears financially viable for at least the next 25 years, and perhaps beyond that. Despite an increase in the retirement age population after the year 2000, the proportion of people working to those not working will still be greater than it was before 1970.

- Many retirement-age workers say they want to continue working at least part time. Social Security provisions encourage this. But low pay and a lack of flexibility in many part-time jobs, as well as alternative sources of income, influence most of these people not to work at all.

- Social Security and many private pension plans encourage early retirement. It would take substantial changes in the Social Security incentives—beyond the 1983 amendments to the Social Security Act—and major revision in private pension policy and procedures to achieve a significant increase in the average age of retirement.

About 44.5 million Americans, or about 19 percent of the population, are between ages 45 and 64. By 1991 this number will increase when the "baby boom" generation reaches age 45. By the year 2000, over 60 million Americans or about 23 percent of the population will be in this age group. Not surprisingly, the workforce is also aging. Approximately 30 million people between ages 45 and 64 are in the labor force. This number is expected to grow to nearly 45 million by the year 2000. The number of retirees will increase substantially after the year 2010, peaking after the year 2030. What this tells us is that over the next 25 years the older population and the number of older workers will increase substantially, and over the next 50 years the number of people receiving retirement benefits will be substantially larger as well.

We do not see any immediate cause for alarm, but we do see an immediate need for recognition and planning, and an immediate need to address the problems of today's older workers. If the Nation is to have private and public policies and personnel practices which promote the effective utilization of older workers' skills and experience, the development of those policies and practices must begin now.

Older workers are a vital resource for the Nation. We believe it is critical that our private and public employment and retirement policies do everything possible to promote opportunities for those older Americans who want to work.

The findings and recommendations contained in this report were developed during the years 1982–1984. It is the hope of the Commissioners that this work will provide better information and insights for policymakers and program operators in both the private and public sectors so that older Americans have flexibility in the choice between work and retirement and the greatest opportunity to continue to contribute to the vitality of the economy and the Nation.

Sincerely,

Gertrude C. McDonald
Chairman

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PART A
Older Workers: Prospects, Problems and Policies

Preface

The employment situation of older Americans is increasingly the focus of public and private concern. In its *8th Annual Report*, the Commission highlighted the "work revolution" that is taking place in the United States—international competition, technological change, the peak of the baby boom and the aging of the workforce, the decline of basic industries and the rise of the service sector, and changing demands on social security, pension, health and training systems. The Commission's *9th Annual Report* takes a closer look at how these trends are affecting today's older workers and what challenges lie ahead for tomorrow.

Given its mandate to report to the President and the Congress on employment issues of national importance, and in light of the growing interest in older workers, the National Commission for Employment Policy has developed a comprehensive report on the realities facing this segment of our workforce. The Commission launched this major research project after identifying key questions where more information was needed to inform public policy. Studies were financed from NCEP research funds in conjunction with funds made available from the Employment and Training Administration of the U.S. Department of Labor.

A major goal of this project was to supplement information from past research and to add to the body of knowledge that has been accumulated on older Americans' employment-related problems. The project design focused on several themes: the employment and unemployment experiences of older workers; the impact of age discrimination, health, and education; the problems of displaced older workers; the special needs of disadvantaged groups; innovative private sector programs; the effectiveness of government-sponsored employment and training programs; and the range of retirement and pension issues that affect employment decisions.

In addition to this report, the Commission published two companion volumes highlighting successful private and public sector programs and strategies to assist older workers: *Older Worker Employment Comes of Age: Practice and Potential* and *A Practitioner's Guide for Training Older Workers*. The Commission also sponsored a series of forums for business, government and community leaders throughout the country to share information and initiate local action to improve opportunities for older workers.

The recommendations contained in this report emerged from the research and the discussion among the Commissioners and it responds strongly to the notion that it makes good economic sense to use the resources of this Nation's older workers. We stand to lose much productive capacity if we do not adopt economic policies that recognize the value of these workers and reject policies that result in unnecessary or involuntary early retirement.

Commissioner Paul Locigno, as project chairman, provided invaluable advice and support. Responsibility for the design and organization of great amounts of information fell to Dr. Steven Sandell, project coordinator, with assistance from a number of individuals, including Gary Moore, Gerri Fiala, Laura von Behren, Priscilla Taylor, Janet Johnston, Steve Baldwin, Ann Donohue, and other members of the NCEP staff, all of whom consistently rose to the challenge of painting a more complete picture of older workers. Madeline Hachey and Shirley Percy produced the versions of the text and their patience and fortitude are appreciated.

Patricia W. McNeil
Director

Foreword

The issues raised in the report are of critical importance to the well-being of the American economy. In the early 1990s, the number of older workers will begin to rise, as the post-war baby boom generation begins to reach age 45. Further, in 25 years there will be major growth in the retirement-age population. Although it is impossible to predict economic conditions 20 or 30 years hence, the analysis in this report provides a sound basis upon which to consider policy options for older workers over the longer term.

Most older workers do well in the job market and make the transition from work to retirement without experiencing financial difficulties. Many, however, are not so fortunate. This report examines the causes of their labor market problems and the policies that could alleviate these problems.

The report is organized into six chapters:

- Chapter I presents an overview of the report, including a summary of the Commission's findings and conclusions and its recommendations for improving the employment conditions of older workers.
- Chapter II describes the general population and labor force trends over the last several decades and those projected for the future. It provides background for discussing the employment situation of older workers and retirees and potential public policy responses.
- Chapter III examines older workers' employment, unemployment, earnings, and income. It describes the extent and causes of the employment problems of older workers.
- Chapter IV discusses employer programs and practices and government programs designed to redress the employment problems of older Americans and to provide increased employment opportunities for these individuals.
- Chapter V describes the relationship of retirement decisions to various public and private policies.
- Chapter VI presents the major conclusions of the study.

The report explains that for all older workers, decisions concerning training, employment and retirement are interconnected. These interconnections are important because policies affecting any one of them have implications for the others.

Steven H. Sandell
Project Director

I. Overview

The employment problems of older workers provide a critical focus for national employment policy in the 1980's and 1990's. The aging of the labor force, combined with the restructuring of the nation's industrial capacity, heightens the importance of meeting the labor market needs of this population. If the Nation is to have private and public policies and personnel practices that promote the effective utilization of older workers' skills and experience, the development of those policies and practices must begin now.

The labor market problems of older workers will gain greater prominence within national employment policy during the next decades because both the population as a whole and the labor force are aging. The median age of the labor force is already rising. The post-war "baby boom" generation will be in its fifties by the end of this century. Improved health and longevity also contribute to this trend.

What does this mean for individuals, for business and industry, and for government? Do certain groups of older workers such as women, minorities, health-impaired people or displaced workers face special problems in the labor market? How can business and industry and government respond constructively to these problems? What changes might be necessary in retirement policies? Can we put policies in place now that will properly address the future situation? These questions are the focus of this report.

Most workers over age 45 have earnings that have increased over their working lives, leveling off prior to an anticipated period of retirement. However, some older workers, after having had a stable lifetime employment and earnings pattern, suddenly experience an unanticipated event, such as the loss of a long-held job or the onset of a major health problem, that undercuts their ability to continue working. Still other older workers—such as women, minorities and the disabled—are likely to have lifetimes of low earnings and intermittent employment that continue into old age and affect retirement prospects.

Employment policy for older Americans deals with two major concerns. The first centers around older workers in general and includes influences on their retirement and employment opportunities. The second centers on alleviating special labor market problems faced by some groups of older Americans.

The Scope of This Report

Any discussion of the issues relating to work and aging requires a clear description of the terms and concepts that will be used. This report generally uses the term "older worker" to mean persons age 45 and over. Age 45 is a traditional breakoff point in the analysis of labor market information. A number of Federal employment programs also use age 45 in their reporting provisions. Various age groups within the older worker category such as ages 45 through 54 or age 65 and older are discussed separately, as appropriate.

This report concentrates on employment issues. However, it is often difficult to separate employment issues from other important social and economic concerns such as poverty. Most people's primary source of income is from their job. Some individuals are in poverty because they do not have a job; other people who are employed may nevertheless be poor because their hourly wage is low or because they do not work full time. This report deals with people in poverty who are working or desire gainful employment; it does not address the situation of many older persons who are poor and for health or other reasons are not expected to work.

Project Findings and Conclusions

By combining existing knowledge and the results of new research, the National Commission for Employment Policy found that individuals over age 45 are less likely to suffer labor market problems than younger workers and that the income of older persons generally has improved over the last several decades. Even so, there are several million older workers who suffer severe labor market problems. These problems, as well as the experience of older workers in general, and the public and private programs and practices that affect older workers' employment and retirement are described below. Information about population and labor force trends provides the context for this discussion.

Nearly one-fifth of the population is age 45 through age 64. This age group will increase by 15 million individuals within the next 15 years, largely as a result of the aging post-war baby boom generation. The population over age 65 will rise gradually, due in large part to increased longevity resulting from improved health care. The major growth in the retirement age population will not begin until after the year 2010. By the year 2030, the post-war baby boom generation will be age 65 and older.

Nearly one-third of the labor force is over age 45. While the percentage of the workforce that is over 45 has declined steadily over the past 30 years, it is expected to be about the same for the next 15 years and then to increase gradually, again largely as a result of the aging post-war baby boom generation. The decision to retire from paid work directly affects the size and makeup of the labor force.

Labor Market Problems from Age 45 to Retirement

Older workers, in general, have higher wages than their younger coworkers. This generally results from their greater work experience, seniority and firm-specific skills. Older workers' earnings per hour are relatively stable after age 50. Some retire and their earnings are not entirely replaced by retirement income; others reduce their working hours.

For those individuals who continue working full time, earnings grow more slowly than the earnings of their younger coworkers. There are several potential reasons for this finding. Many older workers do not appear to receive the training needed to upgrade skills and to increase their earnings. An important reason is that the cost of training in terms of lost earnings, lost leisure time, and lost productivity is higher for both older workers and their employers than for younger workers.

Young people with labor market problems tend to continue to experience them over their lifetime. Although the average earnings of minority individuals improve with age, they continue to remain below the average earnings for white males. The earnings gap between women and men also increases with age. Intermittent work experience and smaller earnings increases with each year of experience appear to be the basis of this growing earnings gap. This situation is important for retirement because Social Security and pension benefits are tied to earnings levels.

Although a smaller proportion of individuals over age 45 have labor market problems than do those under age 45, there are a substantial number of older workers with labor market problems, defined as a combination of low income and unemployment or underemployment. Specifically, older blacks, Hispanics and women are much more likely to have labor market problems than older white men. In fact, older blacks are four times and Hispanics are three times more likely to have labor market problems than whites. The probability of experiencing labor market problems for minority-group members, unlike whites, does not decrease with age. The labor market problems of these groups often have their foundation in a lifetime of low education, inadequate training, irregular work experience and discrimination. Age itself is not typically the root cause of their problems.

Poor health combined with aging constitutes a form of double jeopardy because the earnings of individuals with poor health are usually lower than those with good health and their earnings decline with age compared to individuals in good health. The onset of health problems influences retirement. However, for financial or other reasons, some of these health-impaired workers may want to continue working, if only in less demanding jobs.

Age discrimination is one of the causes of labor market problems among older workers. Some of these problems, caused by a combination of the experiences and personal characteristics of older workers, are exacerbated by age discrimination. Age discrimination and other causes of employment or labor market problems are difficult to separate, and consequently, the incidence and dimensions of age discrimination are hard to measure. It is known that the number of complaints in the age discrimination area is rising.

Older workers who lose their jobs typically earn lower pay at their new jobs, especially if they live in areas with poor labor market conditions. The loss of seniority and company-specific skills that are not always perceived as useful in new employment situations contributes to reductions in earnings. These losses in earnings are generally larger among older than younger job losers. Job loss also results in longer periods of unemployment for older than younger job losers. Specialized placement services have proven successful for older job seekers who are less likely than younger job seekers to receive job referrals from the Employment Service.

Workers in their late fifties and early sixties who lose their jobs are much more likely to retire than those who have not lost their jobs. This pattern is more pronounced during periods of high unemployment. Because retired individuals rarely reenter the labor force, this is a permanent loss of workers to the economy.

Many retirement-age workers indicate that they want to continue working at least part-time. Social Security provisions—such as the earnings test—contribute to their desire to work part time rather than full time. However, low pay for part-time work, lack of flexibility in many employment situations, and the availability of alternative sources of income influence most retirement-age individuals to not work at all.

Private and Government Responses

Positive action on the part of employers can improve the employment conditions of older workers at or near retirement age. Such actions include establishing age-neutral training and personnel policies. There are good examples of employer programs and practices for retirement-age workers in the areas of benefits and compensation, work arrangements including part-time, and job retraining that could benefit companies and individuals. Unfortunately, these are relatively uncommon, address only particular segments of the labor force and selective situations of older workers, and exist only if they benefit companies as well as older workers. In adverse economic conditions, some of these employer programs and practices are suspended.

Many older job losers, women and minority-group members have needs for training and other services that cannot be adequately addressed by the private sector. Government has an important role to play in responding to those individual needs.

On a small scale, the government has experience in the employment and training area. Job training for older workers was successful under the Comprehensive Employment and Training Act (CETA) even though relatively few were served. Factors other than age discrimination, such as weak labor market attachment, poor health, low education, and high family income, help explain why few eligible older individuals were served. Older workers who did participate increased their employment and earnings. This augurs well for the potential success of training programs administered under the Job Training Partnership Act.

The Senior Community Service Employment Program is useful as a small work experience program for persons age 55 and older. It appears to be especially beneficial for individuals who live in areas where private sector jobs are not readily available and for those who expect to retire in the near future and do not want to invest in training for long-term jobs but who do want to perform useful work.

Retirement

Current retirement policies have done much to relieve unemployment and poverty among older Americans. Formal retirement from paid work has been made possible by the expansion of the Social Security system, the growth of private pensions, increased support for the disabled, and increased affluence generally, which has allowed people to accumulate personal savings. These same factors influence retirement decisions.

Social Security and some provisions of private pensions that are regulated by the Federal Government have encouraged early retirement. The Social Security benefit schedule—as well as the schedules of many private pension plans—penalize workers who retire after age 65 by making it uneconomical to continue working. Pension benefits do not increase enough for each year of delayed retirement to offset a shorter retirement period. Also, while Federal regulations under the Employee Retirement Income Security Act permit a variety of benefit structures, many pensions encourage early retirement. Two features of private pensions that are particularly important in penalizing older workers who want to postpone retirement are a failure to provide actuarial adjustment for previously accrued pension benefits and a lack of accrual after age 65 (which occurs in about one-half of the defined-benefit plans). The first feature means that a worker will be penalized in the form of reduced total lifetime benefits for continuing to work after a particular age. The second means that a worker's total compensation, i.e., wages plus accrued pension benefits, is reduced after age 65.

In contrast to the dire predictions several years ago, the Social Security system now appears capable of supporting the basic retirement programs for at least the next 25 years and, perhaps, well beyond that. Although the 1983 Social Security Amendments will probably succeed in restoring the financial integrity of the retirement portion of the system over the next 75 years, it is unlikely that they will have much influence on actual retirement ages. It would take substantial changes in the Social Security incentives—beyond the 1983 Amendments—and major revisions in private pensions to achieve a significant increase in the average age of retirement.

The dependency ratio, or the ratio of the rest of the population to paid workers, will continue to decline through the end of the century as more women participate in the labor force and the post-war baby boom continues to work. Although the dependency ratio will rise after the year 2000, this ratio will still be substantially below the levels this nation experienced before 1970. This means that the ability of the economy to support its retirement age population will improve until 2000. Even though the proportion of individuals age 65 and older will increase dramatically after 2010, the economy may easily be able to support its retired population because there will be a large number of paid workers compared to nonworkers. It is possible, however, that economic conditions may cause unforeseen stress on the Social Security system after the year 2000. If such a situation occurs, there are several options available to relieve these pressures, including restricting or reducing benefits, making adjustments that will actually increase the average age at which people retire and making adjustments in pension policies.

Although the impact of poor health on individual retirement decisions is difficult to measure, the availability of disability benefits under Social Security reinforces the effect of physical problems on retirement decisions. These benefits allow some individuals who must otherwise continue to work to retire early. While a large proportion of individuals who apply for disability are not totally disabled, they legitimately may not be able to continue working. Efforts to tighten screening criteria for disability payments almost inevitably lead to some instances of poor, elderly, disabled individuals being denied benefits. The consequence is a tradeoff between an increase in the number of disability beneficiaries and a rise in program costs on the one hand, and the denial of benefits to legitimate claimants, on the other hand. In addition to employment services for older workers with health problems, improved general health care and worker safety programs may extend workers' productive lives and reduce disability program costs. The relationship between health and retirement is important, in part, due to the connection between regular Social Security retirement benefits and disability benefits under Social Security.

The recent expansion in the availability of tax-deferred retirement savings instruments, particularly Individual Retirement Accounts (IRA), has raised questions as to whether tax-deferred retirement savings will affect people's retirement decisions. Because these instruments do not provide incentives for choosing one retirement age over another after reaching the initial age of withdrawal without penalty, they appear to provide flexibility in choosing a retirement age. However, it is too early to predict exactly what the effects will be of tax-deferred private retirement savings in terms of total savings and age of retirement.

The Age Discrimination in Employment Act prohibits employers from requiring workers to retire before they reach age 70. Most people prefer to retire before age 70 because of the availability of and incentives in various sources of retirement income, as well as the desire for leisure. The major effect of prohibiting mandatory retirement at any age would be to allow greater freedom of choice for those individuals who want to continue working after age 70. Because those individuals are few in number, the impact is likely to be minimal.

Recommendations for Improving the Employment Conditions of Older Workers

The following recommendations to the President, Congress and other decision-makers concerned about the employment prospects of older workers were adopted by the National Commission for Employment Policy at its April and June 1984 meetings. These recommendations are based upon the findings and conclusions contained in this report.

Economic Policy and Older Workers

The National Commission for Employment Policy said in its statement, *An Employment Policy for America's Future,* that "The success of economic policy should be judged first of all by its ability to provide jobs for American workers." Economic policies often are set in place without full consideration being given to their employment impact.

For example, while a dynamic economy implies that some firms close and some unemployment occurs, research has shown that persons in their late fifties and early sixties who lose their jobs are much more likely to retire than if they had the opportunity to continue to work for the same employer. This is especially true in times of high unemployment. Since retirees rarely reenter the labor force, this is a permanent loss of workers to the economy.

Therefore, the Commission recommends that the Federal Government should establish a new priority for employment in the development of its overall economic policies. In the tradeoffs that inevitably must be made in developing national economic policy, Federal policymakers should recognize the often hidden but substantial long-term costs to the economy and to older individuals that result from induced retirement caused by high unemployment.

Employment Policy and Older Workers

A central issue in the discussion of older workers' labor market problems is whether these problems are caused or exacerbated by age discrimination. While the exact extent of age discrimination is difficult to measure and while many of the labor market problems of individuals over age 45 are grounded in causes other than age discrimination, that age discrimination exists in individual cases is undeniable. Our findings indicate that it is necessary to continue to address age discrimination through legal remedies.

- *The Commission recommends continued and vigorous enforcement of the Age Discrimination in Employment Act by the Equal Employment Opportunity Commission.* The Commission believes that such enforcement in combination with private law suits is critical in eliminating age discrimination.

- *The Commission recommends that job training programs, such as those funded under the Job Training Partnership Act, should seek to provide special assistance to older job losers with an emphasis on systematic assessment of their strengths in terms of job experience and long-developed skills, so that training can be provided to minimize loss of wages in new employment.* Such assessment should be especially emphasized in programs designed to serve the needs of dislocated workers under Title III of the Act.

- *The Commission recommends that realistic adjustment counseling should be provided to older individuals whose jobs have been eliminated, especially in poor labor markets, and who as a result may have to change occupations and even accept somewhat lower wages in order to continue working.* Such assistance, especially when provided while the worker is receiving Unemployment Insurance, could help reduce spells of unemployment, ensure that retraining is undertaken faster, and improve the employment prospects of older job losers.

Workers over age 45, in general, have fewer labor market problems than younger workers. However, there are groups within this older population which have special or more pervasive labor market problems than the general population. Although the problems of these groups—older job losers, minority individuals, women and the health impaired—are most often not solely attributable to age, they require the special attention of public decisionmakers, employers and program operators.

The Commission recognizes that older workers who lose their jobs often face special difficulties. Compared to their younger counterparts, older job losers are likely to suffer longer spells of unemployment and greater losses in earnings when they do find new jobs. This is caused, in part, by the fact that older workers have seniority and specialized skills not always useful in new employment situations.

Older blacks, Hispanics and women are much more likely to have labor market problems than whites and men of similar ages. These problems are most often caused by lifetimes of employment barriers such as discrimination based upon race, sex or national origin rather than by age itself.

- *The Commission recommends that older minority group members, (e.g., blacks and Hispanics), and women should receive employment and training services that address their individual needs (such as lack of training, language difficulties, low levels of education, work-restricting health problems or discrimination).* Program operators should have the resources to address these needs.

- *The Commission recommends that in the interest of equity, service providers should insure that women and minorities are provided employment and training services in approximate proportion to their incidence in the population with employment problems.*

Poor health influences earnings and the age of retirement. It explains why many individuals retire and why they should not be expected to continue working. However, for financial or other reasons, some older workers may wish to continue working, if only in less strenuous jobs. They could do so in many cases if they had special assistance.

- *The Commission recommends that resources for public programs that provide rehabilitation assistance, retraining and job search assistance for those with* *disabilities be increased in order to better meet the needs of older workers with health problems who wish to continue working.*

- *The Commission recommends that private and public employers should develop alternative work arrangements for older workers who have suffered health impairments and who wish to continue working.*

There are many examples of employer programs and age neutral personnel practices that other companies can adopt to combat age discrimination and to increase employment opportunities for older workers, especially those individuals approaching conventional retirement age. Employer actions that simultaneously meet company-specific business needs and the training and employment needs of older workers are critical to the improvement of older workers' employment opportunities.

- *The Commission recommends that private firms and public employers should make special efforts in the areas of training and retraining for their workers over age 45 in order to eliminate practices that inadvertently limit the employment and earnings prospects of older workers.*

- *The Commission recommends that private firms should actively explore the adoption of special part-time work arrangements adapted to the needs of retirement-age workers in order to make productive use of the skills and experience of workers who may no longer wish to work full time.*

- *The Commission recommends that Federal agencies such as the U.S. Department of Labor, the U.S. Administration on Aging, as well as State and local governments should promote the adoption of innovative employer-sponsored programs and practices for older workers through the dissemination of information on successful efforts in this area.* The Commission has published *"Older Worker Employment Comes of Age: Practice and Potential* which highlights practical information for employers, State and local governments, and community organizations.

Although employer actions are critical to the improvement of the employment situation of older workers, many older workers have a need for training and other services that cannot be adequately addressed by employers alone. Thus, government has an important training and employment role to play. As a general rule, older workers can be successfully served by existing public job and training programs as long as proper attention is paid to older individuals' needs. The Commission found that Comprehensive Employment and Training Act programs were generally successful in training and placing older workers in private sector employment. Although older, eligible persons were less likely to participate in CETA than younger adults, a substantial part of the difference is accounted for by factors other than age, such as the fact that many older eligible individuals were retired and had no interest in taking further training for employment. The experience of older workers who are served under the Job Training Partnership Act can also be successful.

- *The Commission recommends that funding levels for the Job Training Partnership Act should be increased, because less than 10 percent of all eligible low-income individuals and dislocated workers, including those individuals age 45 and over, can be served with the current funds available.*

- *The Commission recommends that older workers who are eligible and desire training should be given equitable access to JTPA regular (Title II) training programs and those established for displaced workers under Title III of the Act.* In recruiting and training older workers, training program operators should make special provision for factors such as health problems that impede older workers' participation in training programs.

- *The Commission recommends that the 3 percent set-aside reserved for those individuals over age 55 under the Job Training Partnership Act should be used to assist regular training programs in meeting the special needs of older participants and to develop model approaches to the training of older individuals.*

- *The Commission recommends that the U.S. Department of Labor should assess model programs for older workers developed under the 3 percent set-aside and actively promote successful programs and practices through the provision of information and practical assistance to State and local agencies.* As a first step in this effort the Commission has published *A Practitioner's Guide for Training Older Workers* to help practioners design, implement, and educate training programs for older workers.

The Senior Community Service Employment Program is a generally useful vehicle that provides part-time jobs for disadvantaged older Americans. It is particularly beneficial for those individuals residing in poor labor markets and for individuals who expect to retire shortly from the labor force and do not want to invest in training for jobs of long duration.

- *The Commission recommends that the Senior Community Service Employment Program be continued in order that older low-income individuals may provide useful service to their communities and receive the benefits associated with paid and productive work.*

Many older persons who wish to work part time or to change occupations because of health or other limitations have experience, skills and talents that go unused because they have difficulty finding appropriate work. Specialized placement services for older workers have proven to be successful in a number of areas.

- *The Commission recommends that specialized job placement services to meet the unique needs of older workers should be developed and supported as a part of the regular operations of publicly supported employment and training agencies, including those funded under the Job Training Partnership Act, the Senior Community Service Employment Program, the Wagner-Peyser Act (Job Service), as well as other State and local agencies.*

Retirement Policy and Older Workers

The Commission finds that current retirement policy is essentially sound in terms of how it effects the balance between the number of people working and the number of people retired over the next 30 years. Current retirement policy has done much to relieve unemployment and poverty among older Americans. The economy appears capable of supporting the basic retirement programs for the next 25 years and perhaps beyond that. Because the economy is expected to have an increasing need for skilled workers by the year 2000, the Commission believes that older individuals should have flexibility in the choice between work and retirement so that the gradually increasing number of older persons may continue working after conventional retirement age if they choose to do so.

- *The Commission recommends that Federal policymakers should avoid major reductions in support for retirement programs that could lead to increased unemployment and poverty and their associated costs if older persons are forced to remain in the labor force for lack of retirement income.*

Nevertheless, many older persons wish to continue working beyond conventional retirement age and the Commission believes that neither the Federal Government nor the private sector should penalize those who are willing and able to do so.

- *The Commission recommends that mandatory retirement at any age should be made illegal and the Age Discrimination in Employment Act should be amended to this effect.*

- *The Commission recommends that consideration should be given to increasing as soon as possible the delayed retirement credit from 3 percent to 8 percent before the year 2007, the date currently provided in the Social Security Amendments of 1983.* The change will eliminate the penalty for workers who wish to continue working beyond age 65, and in effect, make the Social Security system "neutral" in the retirement decision of workers. The increase is not without cost. However, this cost must be weighed against the needs of the economy for productive workers and concerns that those who currently want to continue productive employment should not be financially penalized for doing so.

- *The Commission recommends that the Federal Government and the private sector should give serious consideration to new options for combining the receipt of partial public and private pension benefits with part-time work; encouraging the accrual of pension benefits after age 65; and preventing the actuarial reduction of previously accrued lifetime pension benefits for working past age 65.*

Because it is extremely difficult to predict far into the future with precision, it is possible that economic conditions may cause unforeseen stress on the Social Security system after the year 2000. There are several options available to relieve pressure, including restricting or reducing benefits, making adjustments that will actually increase the average age of retirement, and making adjustments in pension policy, including amendments to the Employee Retirement Income Security Act (ERISA).

- *The Commission recommends that—should additional adjustments be necessary—Federal policymakers should first consider changing the Employee Retirement Income Security Act to remove any obstacles to continued employment that are contained in private pension plans before restricting or reducing Social Security benefits.* Such changes require careful planning and preparation, and they might include the changes suggested in the recommendation preceding this paragraph, which would have the effect of raising the average retirement age and broadening the options for those individuals who wish to continue working.

II. The Context: Population and Labor Force Trends

Improved health, longer life expectancies and the aging of the post-World War II "baby boom" generation will greatly increase the number of older workers and retirees over the next several decades. There is some public uneasiness that this will create new problems for the economy and for older workers themselves. Concern is expressed about the patterns of employment, unemployment, and income of working people as they get older and about the ability of the working population to support a growing number of retirees.

To place these concerns in perspective, it is important to examine the general population and labor force trends over the last several decades and those projected for the future. Throughout its history, the United States has experienced rapid population growth as a result of high birth rates, waves of immigration, and improved health. But the growth has not been steady. The many peaks and valleys in American population growth have not had a uniform effect on public policy since different age groups placed different demands on public services.

From Baby Boom to Retirement Bulge: General Population Trends

Early in the twentieth century, the U.S. experienced high birth rates and an immense influx of immigrants. This was followed in the thirties and early forties by a period of relatively low birth rates and low immigration. Then, a significant increase in births began in 1946, peaking in 1957 and lasting until the early sixties—creating the post-war baby boom generation. The baby boom was followed by the "baby bust," a sharp decline in births during the late sixties and seventies; this decline has been only partially offset by increased immigration in recent years.[1]

Because of its relatively large size, the post-war baby boom exercises considerable influence on the styles, attitudes and policies of the United States. Not surprisingly, concerns are voiced about the stress that this generation will place on employment and retirement policies, which were originally designed for a smaller older-population.

Over the next 25 years there will be a rapidly increasing number of individuals in their forties and fifties, the result of the aging of the baby boom generation. (See figure 1.) At present, about 44.5 million persons or about 19 percent of the population are between ages 45 and 64. Beginning in 1991, when individuals born in 1946 celebrate their 45th birthdays, the number of workers between ages 45 and 64 will increase steadily.[2] By 2000, over 60 million individuals (about 23 percent of the population) will be between ages 45 and 64. The proportion of the population age 45 through 64 will begin to decline shortly thereafter, as the baby bust generation enters this age range.

Although there is a perception that the number of retirees will increase dramatically in the near future, sizable increases will not occur until after 2010, when the baby boom generation begins to turn age 65. The steady rise of the retirement-age population over the next 25 years, both in actual numbers and as a proportion of the population, is largely the result of increased life expectancy.

The number of individuals over age 65 begins to rise significantly after 2010, with the full effect of the baby boom being felt after 2030. From 2010 to 2030, the baby boom generation becomes a "retirement-age bulge"; over that 20-year period the share of the population that is age 65 or older will grow from 13 percent to over 20 percent. Sometime after 2035, the growth of the retirement age population will subside as the baby bust population reaches retirement age. (See figure 2.)

The increase in the population over age 45 is due largely to improved health care. Medical advances are increasing the percentage of the population that reaches each birthday through approximately age 85. In 1940, life expectancy at birth was 62.9 years; in 1980, a newborn child could be expected to live 73.7 years.[3] For individuals who reach their 65th birthday, the change in life expectancy is also large.

The life expectancies for men and women are significantly different. (See figure 3.) While men who were age 65 in 1940 could expect to live to age 77, men who were age 65 in 1980 could expect to live almost to age 80. Life expectancy gains for women are larger. In 1940, women age 65 could expect to live to age 79; in 1980, women age 65 could expect to celebrate their 83rd birthdays. The Social Security Administration projects that by 2035, men who are at age 65 can expect to live until age 83 and women at age 65 until age 87.

These population trends do not suggest the need for major changes in retirement policy over the next 25 years, although some refinements may be necessary because of the situation created by the retirement of the baby boom generation after 2010. This question is discussed in detail in chapter V of the report.

The Changing Labor Force

An examination of the characteristics of the labor force provides key information for an analysis of employment issues, especially those relating to older workers. The labor force includes persons 16 years or older who are either working for pay or who are seeking paid work. Full-time students

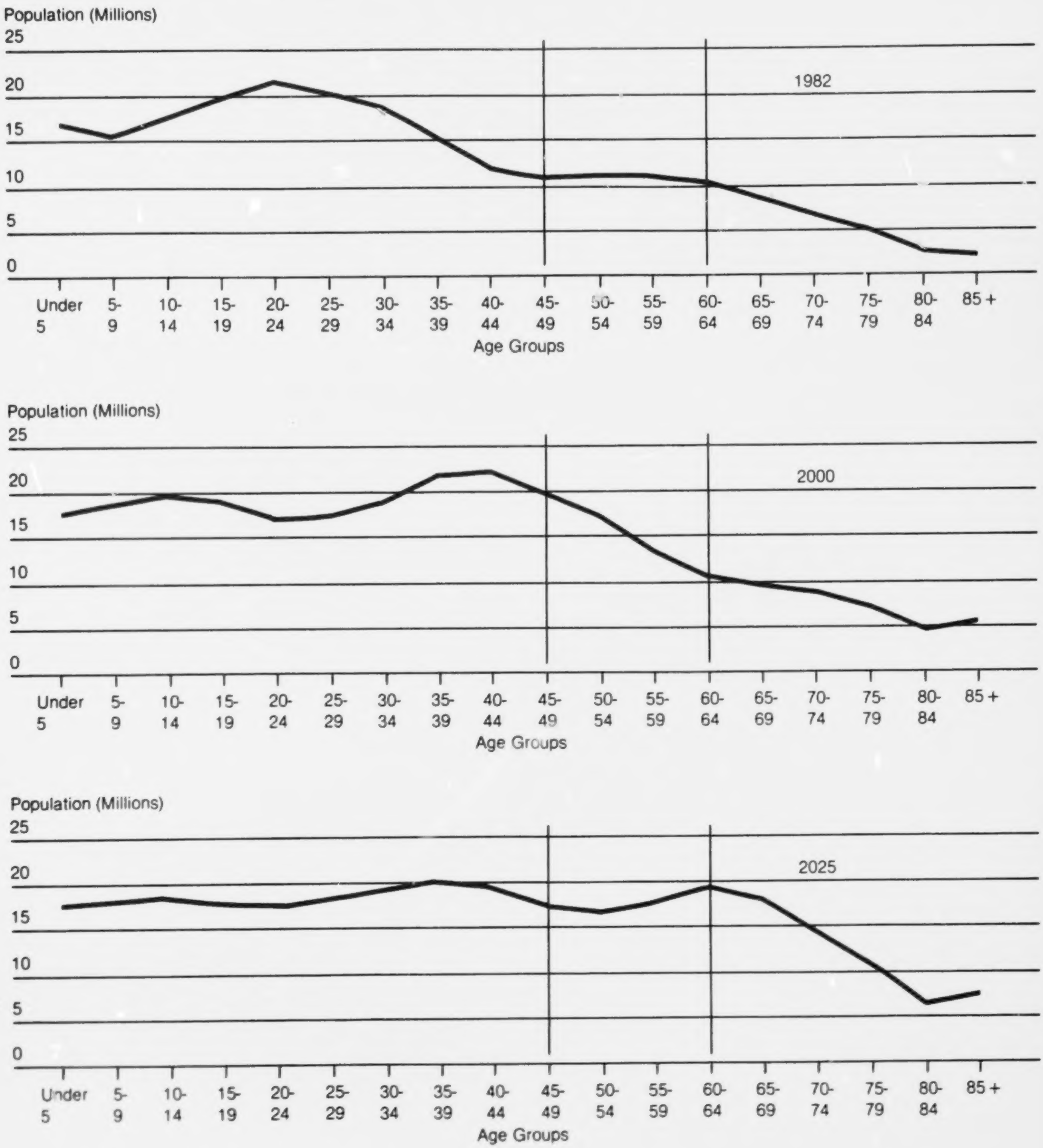
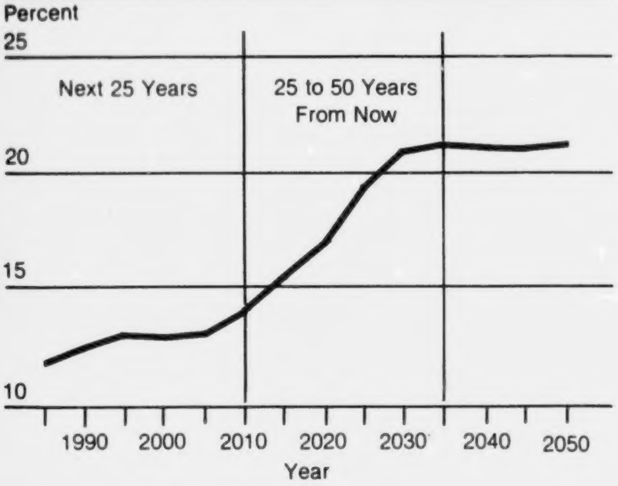


Figure 1. **U.S. Population by Age Group, 1982, 2000, 2025**

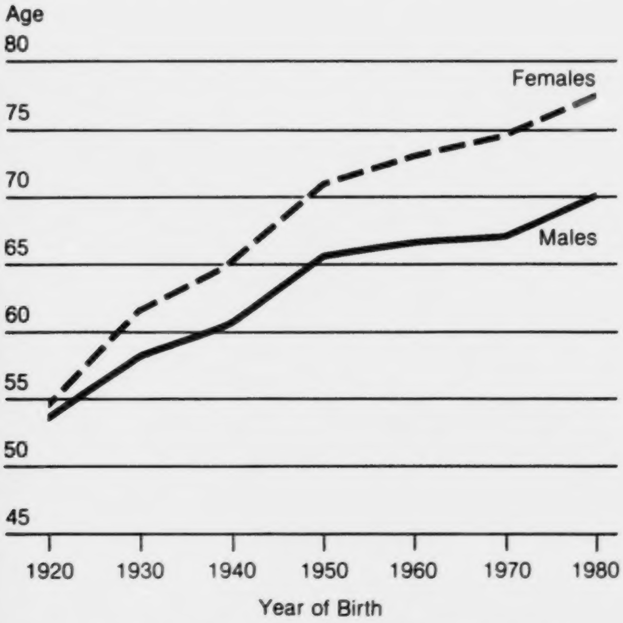
Source: U.S. Bureau of the Census

Figure 2. **Percentage of Total Population 65 + 1985-2050**



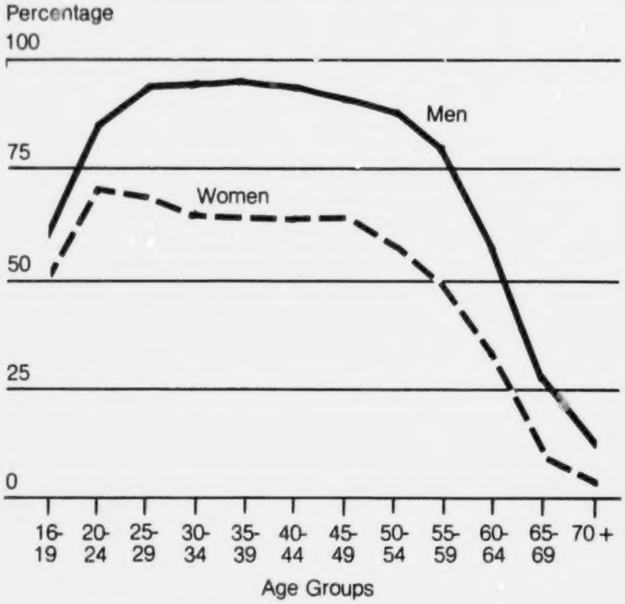
Source: U.S. Bureau of the Census

Figure 3. **Life Expectancy at Birth for Males and Females, 1920-80**



Source: U.S. Department of Health and Human Services

Figure 4. **Labor Force Participation Rates, Men and Women by Age Groups, 1982**



Source: Bureau of Labor Statistics

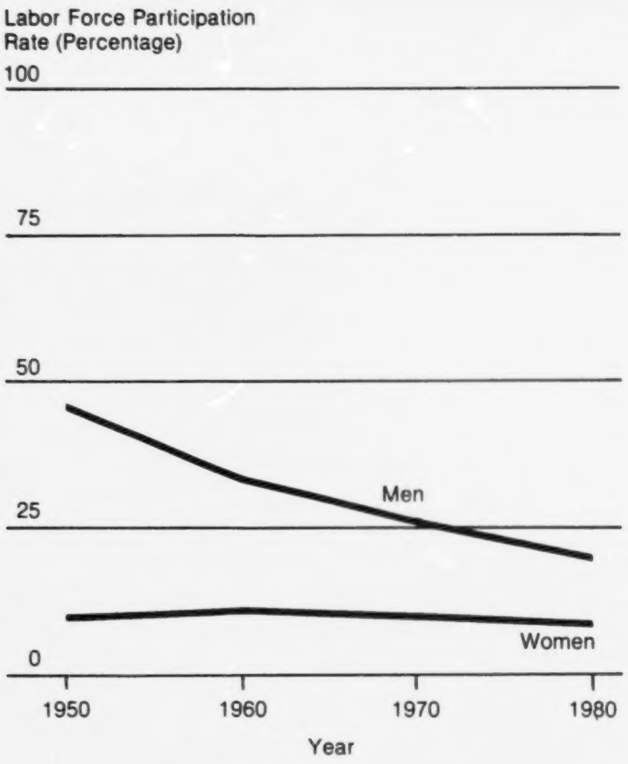
(i.e., those not working or looking for even part-time work), full-time homemakers, and retirees are not part of the labor force. Thus, personal choice plays a large part in determining labor force status and, consequently, the size and composition of the labor force.

The ratio of persons in the labor force to the total population 16 years or older is called the "labor force participation rate." This rate has been affected by a variety of social and economic forces over the past 20 years, as a larger proportion of the population has chosen to be full-time students and retirees at the same time that fewer people, especially women, have chosen to be full-time homemakers.

In general, participation in the work force increases as people leave school. It begins to decline after age 45 as health problems and the possibility of retirement income begin to draw people out of the labor force. Participation rates decline even more rapidly as people approach age 65. (See figure 4.)

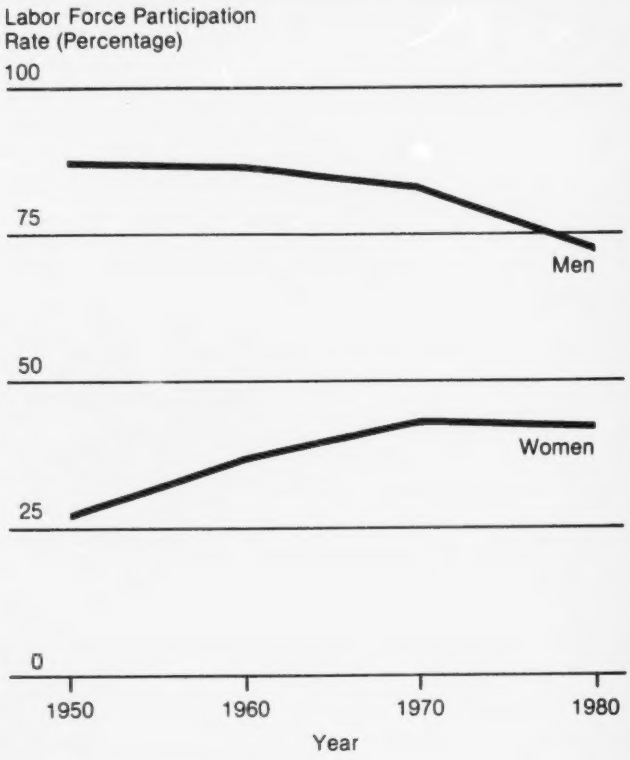
Of special interest here is the fact that the labor force participation rates among persons age 65 and over have declined dramatically since 1950. (See figure 5.) More people have become financially able to retire, and retirement has become an acceptable social practice. The labor force participation of men between the ages of 55 and 64 has also declined markedly since 1970. (See figure 6.) The decrease in the rates

Figure 5. **Labor Force Participation Rates for Men and Women, Age 65 and Over, 1950-80**



Source: Bureau of Labor Statistics

Figure 6. **Labor Force Participation Rates for Men and Women, Age 55-64, 1950-80**



Source: Bureau of Labor Statistics

for men between the ages of 45 and 54 has been very slight. (See figure 7.) Because of this reduced participation and the low birth rates of the 1930s and early 1940s compared to the 1950s, the proportion of the labor force over 45 has been declining since 1960. The *number* of older workers (45+) in the labor force has held steady for the last 30 years and is not expected to begin rising until after 1990, while the baby boom generation has been entering the labor force in record numbers. (See figure 8.)

The reasons for the declining labor force participation of older workers will be discussed more fully in chapter 4, but it is important to note here that the increase is due primarily to voluntary decisions by older persons. The increased affluence of older Americans—often channeled through public and private pension benefits—is perhaps the most important factor behind this trend. Dramatic declines in labor force participation occur at age 62 and again at age 65 because of eligibility for Social Security and pension benefits.

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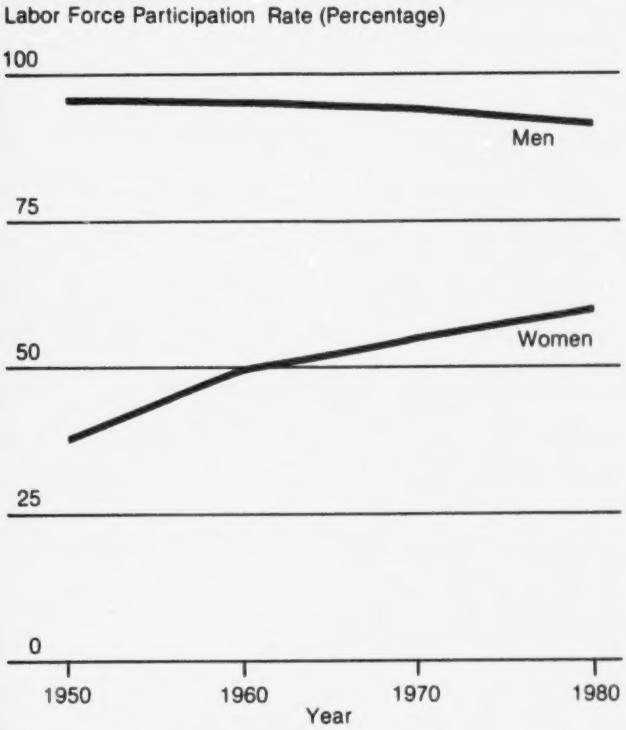
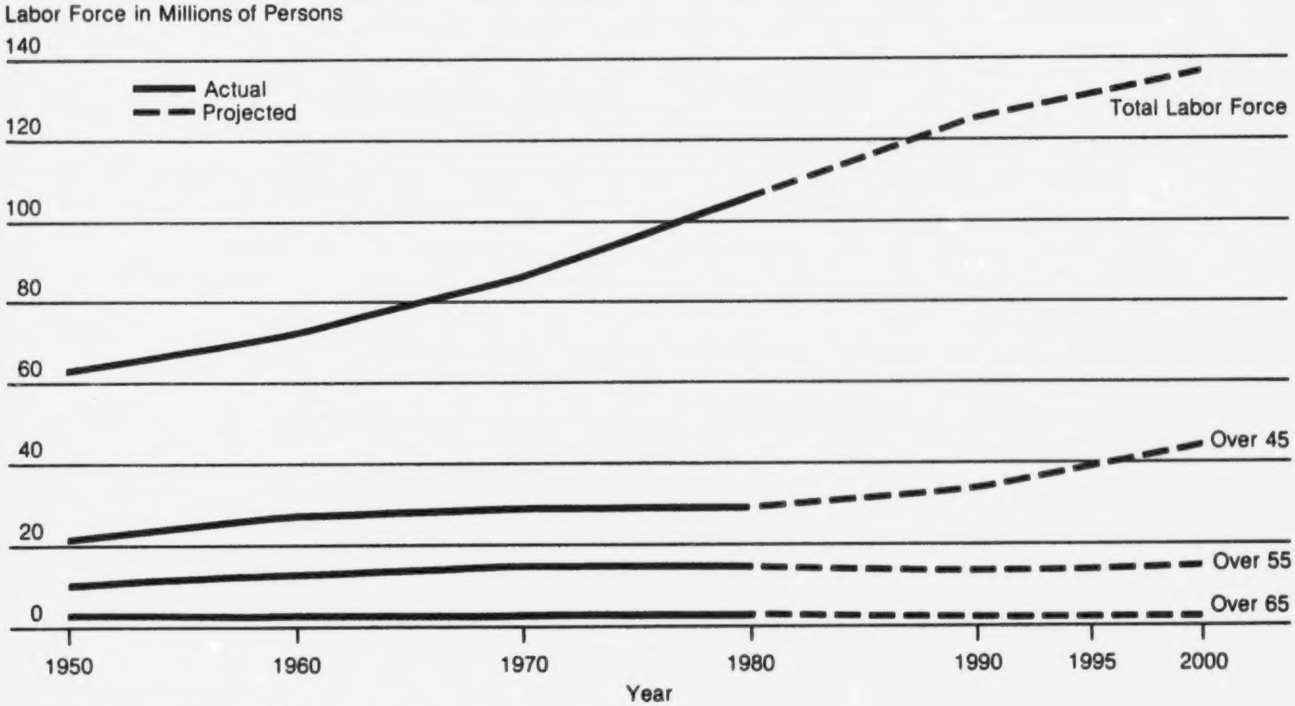
The employment situation of workers can be examined in terms of their earnings and unemployment experiences. Using these measures we describe in the next chapter the extent and nature of employment problems of today's older worker. This discussion, along with careful analysis of current employment, training and retirement policies, provides the basis for the Commission's recommendations on older Americans. While there are limitations to using this information to project long-term trends, our increased understanding of the causes of the labor market problems of today's older workers can provide a sound basis for developing improved employment policies to alleviate current labor market problems, as well as to prevent some problems from arising in the next decade.

Figure 7. **Labor Force Participation Rates for Men and Women, Age 45-54, 1950-80**



Source: Bureau of Labor Statistics

Figure 8. **Labor Force by Age, 1950-2000**



Source: Bureau of Labor Statistics

III. Labor Market Problems From Age 45 to Retirement

People over 45 years old are far less likely to suffer labor market problems than younger workers. Unemployment rates are lower for workers over 45 than for younger persons in the same groups; and older workers generally earn significantly more than younger workers because the older workers tend to have more work experience and seniority.

Nevertheless, several million older workers do suffer severe labor market problems. Some older workers face age discrimination in pay and employment. Others, including many older women and members of minority groups, suffer labor market problems because of the effects of a lifetime of poor education, inadequate training, minimal work experience, and other types of discrimination. Health problems that impair the ability to continue working also become more prevalent as people age. Moreover, although older workers are less likely than younger workers to lose their jobs, when they do become unemployed, they often spend much longer finding new jobs, particularly if they have held their old jobs for long periods.

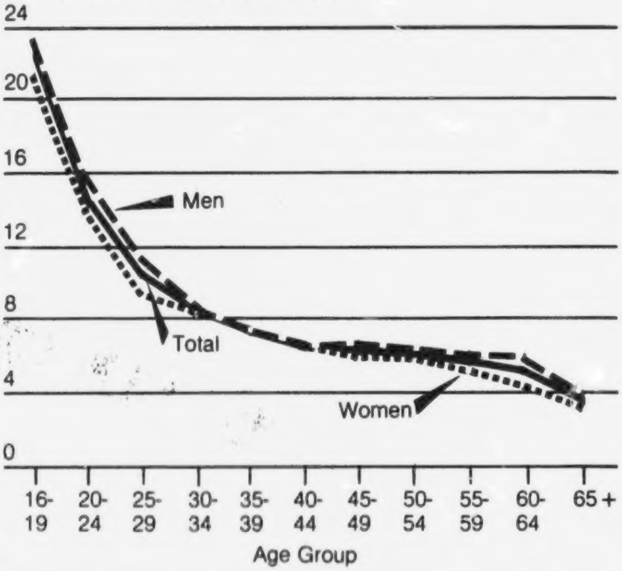
Patterns and Trends

Workers' experiences in the labor market are generally measured in terms of unemployment rates, the length of time they spend looking for work, and earnings. To understand the experience of older persons in the labor force, it is important to examine the patterns and trends of these elements with respect to age.

Unemployment

For all groups within society, the incidence of unemployment declines with age. (See figure 9.)

Figure 9. **Unemployment Rates by Sex and Age, 1983 Annual Average**



Source: Bureau of Labor Statistics

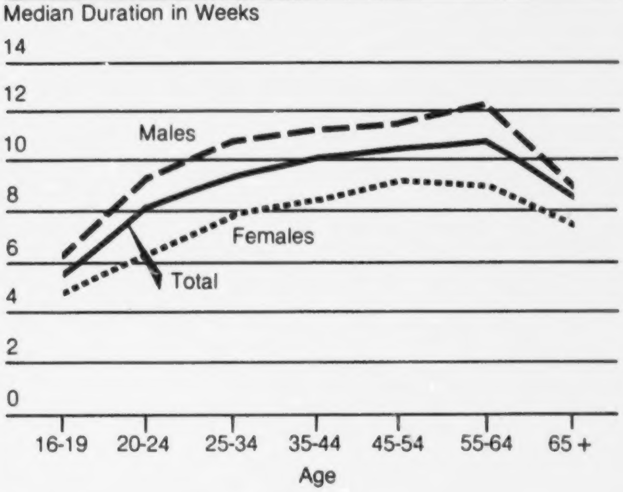
While persons over 45 have the lowest unemployment rates, when they do lose their jobs they take longer to find new ones—at least up to age 60, when retirement rather than continued job search becomes a standard option. For example, in 1982, 50 percent of those 35–44 years of age who were unemployed spent more than 14 weeks looking for work, while half of the unemployed aged 55 to 64 spent 16 or more weeks looking for work. Among those 65 or older, 50 percent were looking for work 10 weeks or more. (See figure 10.)

The pattern of declining rates and rising duration of unemployment applies to all groups, but it is most pronounced among white males. For women, who are somewhat more likely to drop out of the labor force when they lose a job, the average length of unemployment rises hardly at all between age 45 and 64. For blacks and other minority groups, the pattern is similar to white males but always at a higher rate of unemployment—indicating that labor market difficulties of minorities are life-time problems that are alleviated, but not eliminated, by age and experience.

Many older workers who might prefer to continue working may be forced to retire when they become discouraged about finding further work. By definition, discouraged workers are those who indicate they are not looking for work because they do not expect a continued job search to be successful. Because these former workers are no longer officially in the labor force, both the standard unemployment rates and statistics on the duration of unemployment understate the employment problems of retirement-age workers.

Adding discouraged workers to the number of persons officially counted as unemployed increases the unemployment rate. When discouraged workers are included in the statistics, the unemployment rate for persons over 65 in-

Figure 10. **Duration of Unemployment, by Age and Sex, 1982**



Source: Bureau of Labor Statistics

creases dramatically (on average, 3.2 percentage points for men and 4.7 percentage points for women). This makes their rates similar to those for younger workers.[4] (See figure 11.)

The reason why adding discouraged workers dramatically increases the unemployment *rate* of retirement-age persons is that their number is large compared with the number of people over 65 still in the labor force. In contrast, the unemployment rate for others, including older workers ages 55 through 64, changes very little when discouraged workers are included.

Still, the problems associated with discouraged workers must be kept in perspective. Although some retirement-age individuals would prefer work to retirement, but believe that no jobs are available, the *number* of these individuals is actually quite small when compared to the *number* of individuals who are not in the labor force. To illustrate, discouraged workers accounted for only 212,000 (0.07 percent) of the 28.7 million individuals age 60 and older not in the labor force in 1983. Therefore, even though the inclusion of discouraged older workers with the unemployed may result in a higher unemployment rate for older workers, this does not significantly increase the proportion of older persons with labor market problems.

Earnings and Income

A typical individual's earnings (wages, salaries and income from self-employment) are low when entering into the labor market, rise steadily through the adult years, and peak at around age 50, reflecting increased experience and productivity. For older individuals who continue to work full time, earnings remain relatively stable until retirement. It is important to note however, that after age 50, earnings decline slightly in real terms, i.e., after wages or salaries are adjusted for inflation.

Per capita income (earnings, interest, dividends, social security benefits and other pensions) and per capita earnings increase together until age 45; however, after that age they begin to both decline and diverge, particularly after age

Figure 11. **Official Unemployment Rate and Unemployment Rate Including Discouraged Workers by Sex, Selected Ages and Selected Years Annual Average**

	Men						**Women**					
	Age						Age					
Year	25-54		55-64		65 +		25-54		55-64		65 +	
	U[1]	U + D[2]	U	U + D	U	U + D	U	U + D	U	U + D	U	U + D
1968-81 Average	3.7	3.9	3.0	3.5	3.6	6.7	5.5	6.6	3.4	4.9	3.6	8.2
1968	1.7	1.8	1.9	2.3	2.8	6.6	3.4	4.5	2.2	4.2	2.7	8.6
1970	2.8	2.9	2.8	3.1	3.3	5.5	4.5	5.5	2.7	4.1	3.1	7.3
1975	5.7	5.9	4.3	4.9	5.4	9.0	7.5	9.1	5.1	6.9	5.0	9.4
1980	5.1	5.4	3.4	3.9	3.1	6.5	6.0	7.0	3.3	4.6	3.1	7.4

Source: Rones

[1] U is the official unemployment rate calculated by dividing total unemployment by the civilian labor force.

[2] U + D counts discouraged workers as unemployed and calculates an unemployment rate by dividing the unemployed plus discouraged workers by the civilian labor force plus discouraged workers.

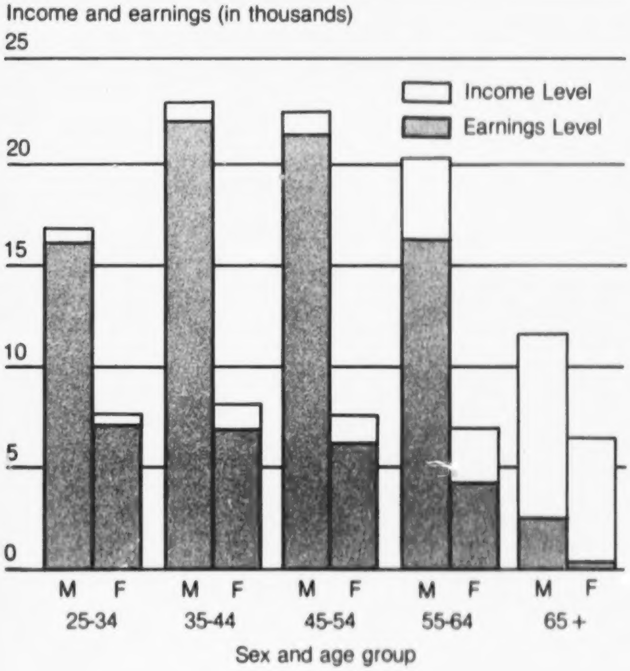
55. (See figure 12.) Specifically, per capita earnings drop more rapidly than per capita income. This sharper drop in per capita earnings occurs because increasing numbers of people retire—or reduce the number of hours they work.

Although income generally drops sharply after age 55, it does not drop for persons who continue to work full time. (See figure 13.) For those who retire, income from other sources does not fully replace previous earnings. Thus, income declines after age 55 because more individuals totally or partially retire, not because older workers are paid less than when they were younger. The relatively high earnings of individuals who continue to work is explained by two factors. First, most older workers accumulate skills and firm-specific experience, which lead to greater productivity. Second, older workers are aided by institutional factors such as increased pay for greater seniority. However, the pattern is not uniform for all groups.

Increases in earnings are greater for men than for women up to age 50. Women's earnings generally start lower and grow more slowly as they accumulate labor market experience. Thus, the earnings gap between men and women widens with age. Also, among men the increases in earnings are greater and come at an earlier age for those with more formal education.

In comparison to the rest of the population, older individuals have generally experienced improved economic conditions over the last decades. Increased income from several sources, particularly Social Security, has contributed to this situation. The improved economic well-being of older individuals is reflected in the fact that the proportion of individuals age 65 and older who are poor has dropped over time. The dramatic decline of individuals age 65 and older in poverty, both in absolute terms and in comparison to other age groups, is graphically displayed in Figure 14 below. The poverty rate among individuals over age 65 fell below that of younger persons for the first time in 1982.

Figure 12. **Per Capita Income and Earnings, by Sex and Age, 1981**



Source: U.S. Bureau of the Census

Nonetheless, people over 65 are still as likely to be living below the poverty line as younger persons, in part because they either do not work or do not earn much in their jobs. In fact, the poor population over the age of 55 is dominated by nonworkers, especially nonworking, unmarried women over the age of 65. This group of women, numbering 3,356,000 in 1980, represented nearly half (46.9 percent) of all units (including single persons) over 55 who were poor.[5]

These statistics do not imply that the solution to poverty among individuals over age 65 is a return to paid employment: poor health and general disabilities prevent many from working. Nevertheless, increasing employment opportunities for individuals over age 65 who are able and who wish to work could help alleviate poverty for some retirement-age individuals.

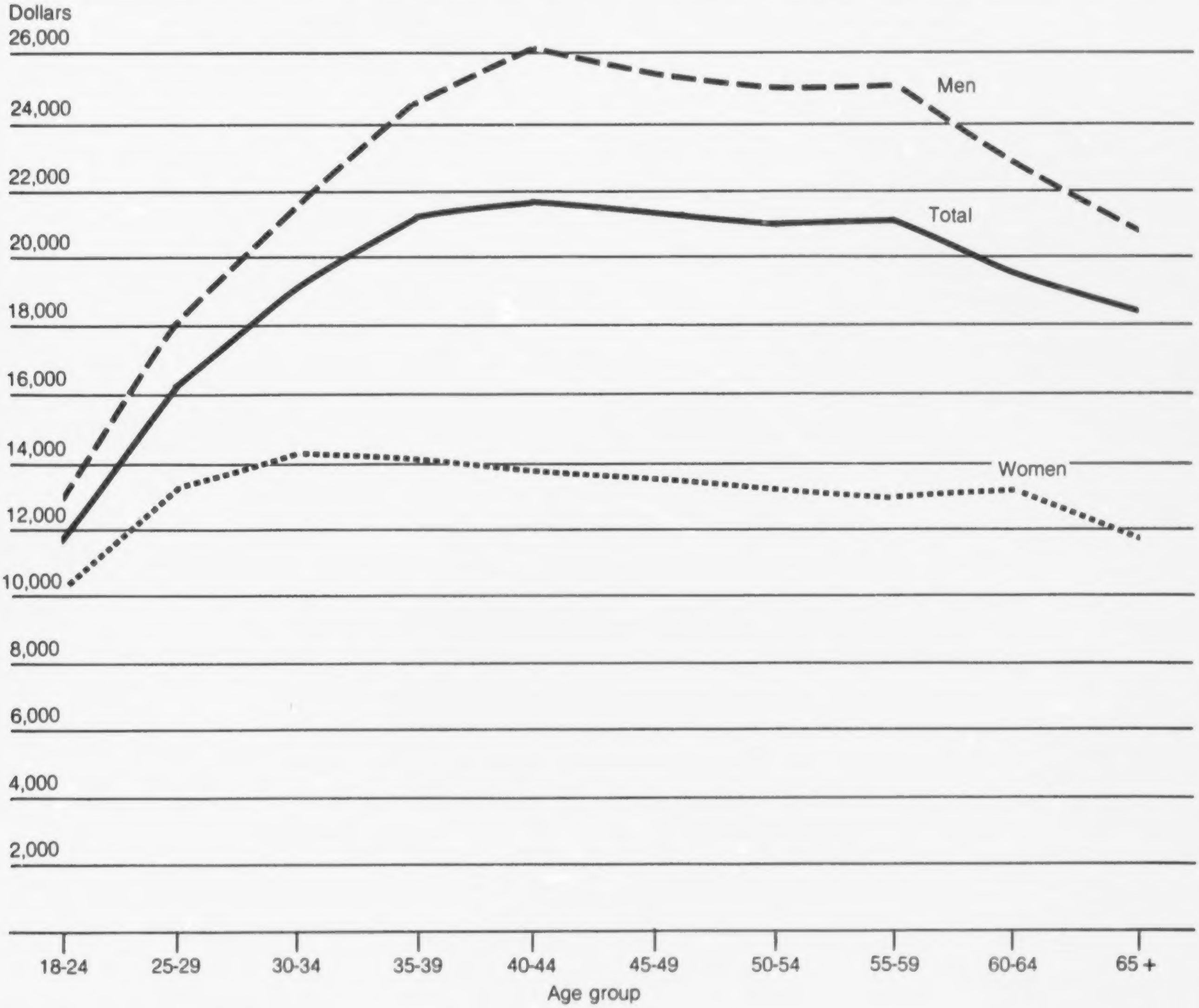
Age Discrimination in Employment

Age discrimination in employment occurs when individuals are dimissed from a job, refused employment, paid less, or denied promotions, training or other benefits simply because of their age. Such discrimination is a malfunction of the labor market: the economy loses the long-established and valuable skill contributions of a major segment of the population. The Age Discrimination in Employment Act (ADEA), as amended in 1978, is designed to alleviate this problem; it prohibits age discrimination in employment for individuals ages 40 to 70.

There is little doubt that age discrimination in employment and pay exists. Although much of the litigation under ADEA is filed privately, by the end of 1981 the Equal Employment Opportunity Commission (EEOC), which has responsibility for enforcing this Act, had received more than 10,000 age discrimination complaints, a significant portion of the overall EEOC caseload.[6] Age discrimination has been the fastest growing category of complaints filed with the EEOC. This growth and the large number of private age discrimination suits attest to increasing concerns among older workers that they are being discriminated against, particularly with respect to job dismissal.

It is difficult to evaluate enforcement of the law because information about the charges filed is limited. Available information indicates that the types of age discrimination complaints differ for men and women. Men complain about the refusal to hire and discrimination in the provision of benefits; women tend to complain about denials of promotions, training and wage increases. Few complaints are filed

Figure 13. **Earnings of Year Round Full-Time Workers, by Age and Sex, 1981**



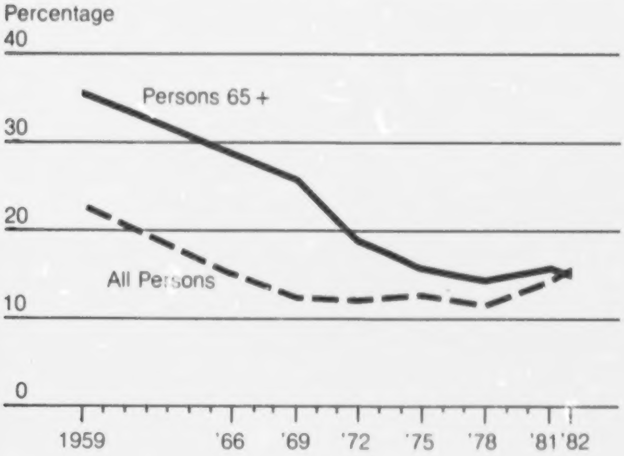
Source: U.S. Bureau of the Census

about lower pay to older workers for work that is similar to that done by younger workers in the same company. This may be due in part to the difficulty in obtaining data on pay, which in turn makes it difficult to prove that this is a form of age discrimination.

The difficulties in distinguishing between age discrimination and other causes of employment or labor market problems make examination of the ADEA's effectiveness a perplexing research and policy problem. The fact that most older workers are better off in terms of employment and earnings than their younger counterparts may hide age discrimination. Further, even when older workers have labor market problems, the cause is not necessarily age discrimination. For workers over 45 who do have labor market problems, the problems stem from three separate but not mutually exclusive sources:

- Those unrelated to age, such as living in an area of high unemployment or racial discrimination;
- Those common among, but not unique to, older workers, such as poor health or fewer years of schooling or training; and
- Age discrimination.

Figure 14. **Percentage Below Poverty Level, All Persons and Persons 65 +, 1959-1982**



Source: U.S. Bureau of the Census

In measuring the magnitude of age discrimination, it is important to distinguish these factors from one another and their effects on employment and earnings. For example, a 60-year-old may have lower pay then a younger worker, not because of age discrimination, but because of fewer years of schooling, which in turn may reflect a lack of educational opportunities when the person was young.

The Age Discrimination in Employment Act stipulates that there is no area of personnel policy in which age alone can be the legal basis for employers' decisions.[7] The threat of administrative enforcement of the provisions as well as the possibility of private suits appears to encourage employers to examine company policies regarding compliance. However, it is important to note that the Act proffers three exceptions; it is not unlawful for an employer, employment agency or labor organization to:

" 1. take any action otherwise prohibited where age is a bona fide occupational qualification (BFOQ) reasonably necessary to the normal operation of the particular business, or where the differentiation is based on reasonable factors other than age (RFOA);

2. observe the terms of a bona fide seniority system or any bona fide employee benefit plan such as retirement, pension, or insurance plan which is not a subterfuge to evade the purposes of the act, except that no such employee benefit plan shall excuse the failure to hire any individual; or

3. discharge or otherwise discipline an individual for good cause."[8]

The burden of proof that the bona fide occupational qualification exception is applicable is left to the employer; the implementing regulations provide strict rules for using this defense.

> "Respondents must show that age-limit is reasonably necessary to the essence of business, that all or substantially all of the persons within the age groups would be unable to perform the duties in question *or* that some member of the group possess a disabling characteristic which could not be detected through individual testing."[9]

In some cases, the ADEA regulations appear to contradict the purpose and intent of the Act or conflict with other legislation. For example, the regulations allow private pension plans to make distinctions in pension accruals after normal retirement age. In another example, a conflict surfaced between the spirit of Title VII of the Civil Rights Act and the ADEA. Labor Department regulations allowed age limits for admission into bona fide apprenticeship programs and in July 1981, EEOC reaffirmed that interpretation.[10] The factor motivating this decision was that lifting the age ban might limit apprenticeship opportunities for minority youth. However, in February 1984, EEOC reversed direction on this issue and published notice of intent to rescind the apprenticeship exception. This example illustrates the dangers of isolating older worker policies from a broader context that considers the needs of other groups in the labor market.

Skill Obsolescence and Training Costs

It was noted earlier that the earnings of full-time workers increase until they reach age 50 and then their wages level off. This plateau in wages, some 15 years before workers retire, could reflect age discrimination, or it could reflect other factors, such as skills becoming obsolete as people age.

The effect of these other factors were examined in a Commission-sponsored study of the effect of aging on earnings.[11] First, to avoid confusing the issue of age with other characteristics of workers such as race, sex, and employment in a declining firm or industry, the study examined only earnings differences between older and younger, white, male, professional and managerial workers of a healthy firm in a growing industry. Then, to determine the reasons for differences in earnings growth, the researchers applied statistical controls to examine the relationship among earnings, age, and factors such as education that affect workers' productivity.

The study found that the older the employees were, the more money they were likely to be making, even though the older employees had less schooling, in general, or schooling in less monetarily rewarding fields of study. The most important reason for the economic advantage of older employees was their longer time with the employer: this greater firm-specific training compensated for their relative lack of formal schooling.

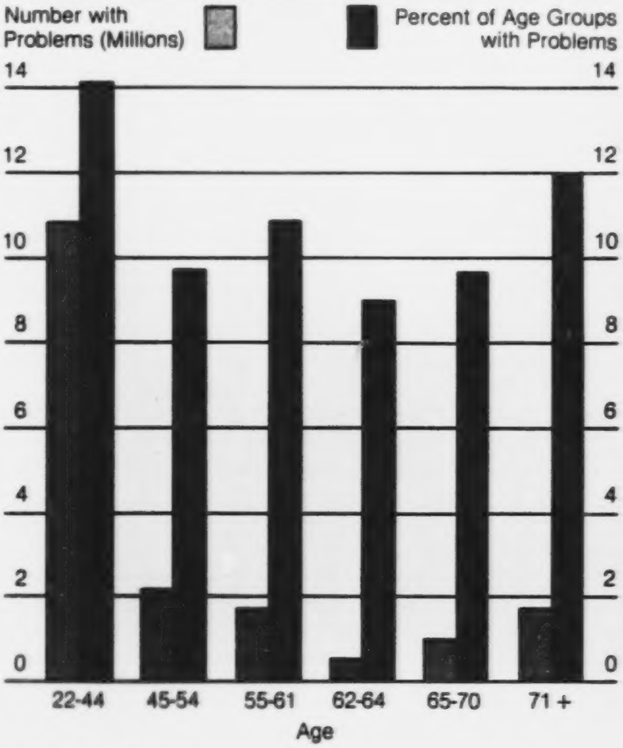
Considerable evidence of obsolescence in skills appeared after the greater job tenure of the older employees had been taken into account. In particular, a comparison of workers ages 50 and 65 revealed that if greater job tenure and other factors had not kept wages rising with age, the earnings of the engineers and scientists in the study would have declined by 18 percent. The implication is that if they were to lose their current jobs, and thus the value of their firm-specific training, they would be faced with significant pay cuts on their next jobs.

Why don't older workers obtain the training needed to update skills or acquire new skills so that they can increase their earnings? Older workers have higher pay and productivity than younger workers, so the "opportunity cost" of taking time out for training is higher for them. Lost earnings or lost leisure time during the period of training are the opportunity costs for workers. Foregone work time for trainees and trainers are the opportunity costs for employers. Unless employers determine that these training costs will have similiar return on investment for older workers and younger workers, they have less incentive to provide training to older workers and hence are less likely to offer training to older workers. Workers near retirement age are less likely to participate in any skill training offered because they believe that they will have little time to reap a return on their investment. For older workers who are not likely to retire for many years, the denial of training opportunities could be considered a form of age discrimination.

Older Workers with Lifetime Problems in the Job Market

More than 5.4 million individuals between the ages of 45 and 70, or approximately 10 percent of this age group, had labor market problems during 1980.[12] In this context labor market problems are defined as a combination of low income and unemployment or underemployment. (See figure 15.) Appendix D describes how the estimates of labor market problems were made.

Figure 15. **Number and Proportion of Persons Having Labor Market Problems**



Source: Rupp et al.

Three principal groups within the older worker population experience severe difficulties in the job market: members of minority groups, women, and health-impaired individuals. Figures 16a and 16b display the incidence of employment problems for age groups by minority status and sex. Older blacks are four times as likely—and Hispanics, more than three times as likely—as whites to have labor market problems. As whites grow older, their likelihood of having problems drops; the likelihood for blacks and Hispanics is not affected by age. Thus, while minority group members are more likely than whites to have labor market problems throughout their lives, age, in itself, is not a cause of additional problems for them. Older women are slightly more likely to experience labor market problems than older men.

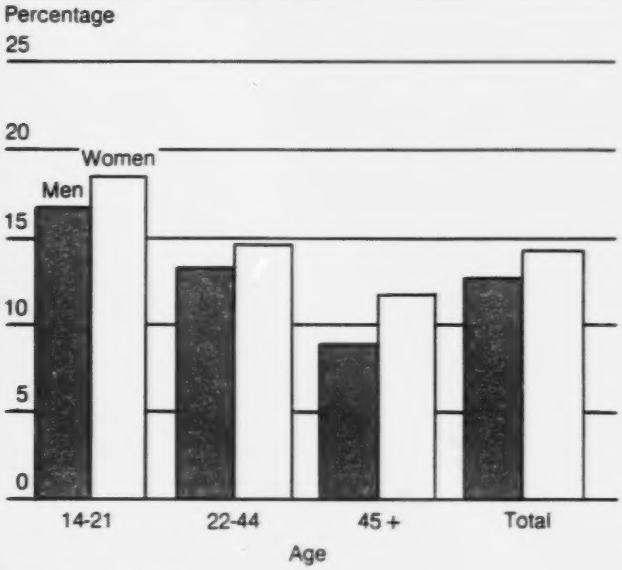
A look at unemployment and earnings separately reveals a somewhat different picture of changes with age in labor market status for the different race/ethnic groups.[13] For instance, although the unemployment rates for minorities decline with age, as do the rates for whites, their rates remain above those for whites at all ages. The earnings pattern for minorities compared with that for whites is similar to that for unemployment. The average earnings of minorities generally improve with age, but remain lower than the average earnings for whites through life.[14]

The difference in the labor market experience of men and women is one of pay, rather than unemployment. Unemployment rates of both sexes are similar in all age groups, with both men and women experiencing a decline in unemployment rates as they age.

The major problem of the 13 million women over age 45 in the labor force, as well as younger women, is that their earnings are well below those of men. Even women with long-term commitments to the labor force have lower pay than their male counterparts with equivalent years of schooling. The earnings of these women also grow more slowly than their male counterparts as the women gain labor market experience, so that the earnings gap between older men and women is greater than that between younger men and women.[15]

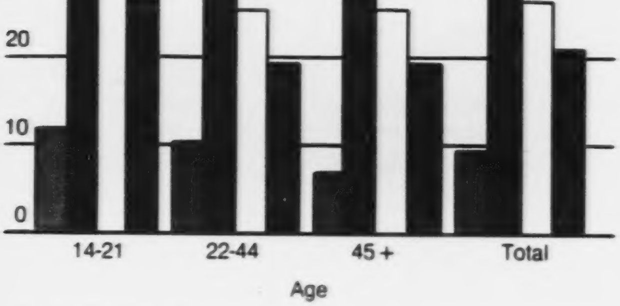
"Displaced homemakers" often face even greater problems in the labor market. These are women who have had a lifetime of working in the home with only limited experience in paid employment and who are suddenly forced

Figure 16a. **Employment Problems by Age and Sex. Percent of Population Economically Disadvantaged and Unemployed, 1980**



Source: Rupp et al.

Figure 16b. **Employment Problems by Age and Group: Percent of Population Economically Disadvantaged and Unemployed, 1980**



Source: Rupp et al.

to enter the job market because of divorce or the death of their husbands. Such abrupt changes in circumstances may leave these women ill-prepared in terms of job search knowledge and the marketable skills necessary to obtain well-paying jobs.

In general, the labor market problems of women have less to do with age discrimination than with a lifetime of low-paying jobs, interrupted work experience and sex discrimination in the labor market. Women who are now middle-aged and older are likely to have continued labor market difficulties with respect to earnings. The earnings of women who are young currently are closer to those of young men than has been the situation historically; young women's earnings are also rising faster than in past years. The low earnings position of women has implications not only for their immediate well-being, but also for their well-being after retirement, because pension and Social Security benefits are tied to wage levels received during their worklife.

Health Problems

Health problems and disabilities are understandably more prevalent among older workers than among their younger counterparts.[16] About one-fifth of men ages 55 to 64 who are in the work force have disabilities that limit the amount or kind of work they can do. In contrast, fewer than 15 percent of the men between the ages of 45 and 54 in the labor force have such disabilities and among those 18 to 34 years of age, the figure declines to less than 10 percent.

The pattern for women is similar. About 5 percent of women ages 18 to 34 who are in the labor force consider themselves disabled, compared with almost 15 percent of women ages 45 to 54, and almost 13 percent of women ages 55 to 64. (The relatively low percentage for the oldest group probably reflects the high likelihood that older women with health problems withdraw from the labor force.)

Poor health adversely affects a worker's position in the job market. Individuals who reported poor health in 1969 had had low earnings throughout their lives and tended not to have received the benefits from rising real wages throughout the economy, according to Commission-sponsored research.[17] In addition, the earnings of health-impaired individuals usually decline relative to those of others as they get older. For older workers who had been in good health in their earlier years, the onset of health problems was found to lead to lower earnings and to induce early retirement. Specifically, women (40 to 54 years of age) and white men (55 to 59 years of age) with physical impairments had lower earnings and labor force participation than their healthier counterparts. There was, however, no evidence that health had an effect on the hourly compensation of black men. It is speculated that blacks, who are often already in low-paying jobs, may be more likely to drop out of the labor force entirely with the onset of major health problems, thus masking a loss of earnings.[18]

Poor health is an important inducement to early retirement. Poor health also explains why many older persons should not be expected to continue working. Still, some of these individuals, particularly those with occupational disabilities or secondary work limitations, may want to continue working for financial or other reasons, if only in less strenuous jobs. Many could do so with appropriate rehabilitation assistance, job retraining, job search assistance or alternative work arrangements.

Older Workers and Job Loss

Although older workers are less likely to lose their jobs than younger workers, the loss of a job, especially a long-held job, can often have devastating consequences for the older worker. The unexpected loss of a job may be the difference between severe economic hardship and financial stability in retirement based on the accumulation of pension and Social Security credits as well as savings. This is especially true of the so-called dislocated worker, whose place of employment or occupation is permanently eliminated. This section looks at the problem of dislocation, the characteristics of job losers, the length of unemployment, and the effect of job loss on earnings and on retirement.

Dislocation

The problems of dislocated workers have been accentuated in recent years because of job loss due to foreign competition, the turmoil in basic industries such as automobiles and steel, and a severe recession that led to massive layoffs in many industries. In many cases, plants have closed or permanent reductions in force have occurred. Because analysis of national data on displaced workers was not available when this report was written, the experience of job losers in general has been reviewed in an attempt to estimate how many of these individuals may be dislocated workers.

Job losers are individuals who have lost their jobs and are looking for other work. Although the proportion of job losers to the total unemployed population tends to rise in a recession and fall with economic recovery, job losers are usually the largest group among the unemployed. Although many job losers may find similar jobs, displaced workers—job losers who cannot return to their previous occupations or industries—face serious problems.

About two-thirds of the unemployed in January 1983, or almost 8 million individuals, were counted as job losers. Using the criterion of job loss in a declining industry or job loss in a declining occupation to estimate the number of individuals permanently displaced, a little more than 2 million individuals, one-fourth of the job losers, were dislocated in 1983 as shown in figure 17.[19] Use of alternative criteria further reduce this number.

Although it is possible to dispute the specific criteria used, the figures provide some idea of the magnitude of the problem. Workers age 45 and older comprise 20.5 percent of the individuals who lost their jobs in declining industries or occupations even though they are more likely than younger workers to be employed in these industries and occupations. This proportion of older workers who are dislocated, roughly the same proportion that older workers are of all job losers, is well below the proportion of older workers in the labor force (31 percent). Older workers, then, are less likely to lose their jobs than younger workers; they are also less likely to suffer permanent dislocation from jobs than their younger counterparts. Greater seniority probably affords older workers this protection against job dislocation.

Figure 17. **Estimates of Dislocated Workers Among the Unemployed, January 1983**

Category	Number (in thousands)	Percent of Labor Force	Number age 45 and over (in thousands)	Percent age 45 and over
Labor force	109,798	100.0	30,963	28.2
All unemployed	12,517	11.4	2,149	17.2
Job losers	7,928	7.3	1,886	17.5
Lost job from:				
Declining industry or occupation	2,040	1.9	418	20.5
Declining industry or occupation and had 10 years tenure and 26 weeks unemployed	755	0.7	381	50.5

Source: Congressional Budget Office

Some research indicates that regional decline is a more important factor than industry or occupation alone in causing severe problems for dislocated workers in finding new work at wages comparable to those of their previous job.[20] In other words, if the local economy is relatively strong and unemployment rates are generally low, dislocated workers are likely to find new work with other employers at comparable wages. This is especially true if the worker's industry is basically healthy locally and it is only the worker's employer that is having difficulty. If, conversely, the local economy and the worker's industry are in severe trouble, a dislocated worker is more likely to have serious problems than other unemployed workers.

The Characteristics of Older Job Losers

Although older job losers can be found at every educational level, they have less schooling on average than older workers in general. College graduates are particularly underrepresented and blue collar workers are harder hit by job loss than workers in other occupations. For example, only one-half of all older male workers were craftsworkers, operatives and laborers from 1966 through 1978, but these occupations accounted for more than 70 percent of the job losers.[21]

Differences between the personal characteristics of job losers ages 22 through 44 and those of job losers between age 45 and older are similar to the differences between younger and older workers in general.[22] Older male job losers have less education, are more likely to be white and have health problems, have greater tenure on their jobs, higher previous wages and slightly higher annual earnings than younger job losers. Older female job losers also have less education than younger female job losers, but they are as likely to be white and have health problems. Older female job losers had longer tenure on their jobs, but they had lower wages and were more likely to have clerical and sales jobs and less likely to have professional or technical occupations than younger female job losers.

Job Loss and Length of Unemployment

When older workers lose their jobs, they are likely to remain unemployed longer than younger job losers. Fifty percent of older male job losers take at least 20 weeks to find a new job compared with 13 weeks or more for 50 percent of younger male job losers, according to a Commission-sponsored study of employment service registrants.[23] Half of older female job losers take at least 21 weeks to find new work compared with 16 weeks for half of younger female job losers.

It is likely that the effect of age on the potential length of unemployment may be greater than these figures would indicate because older job losers are more likely to drop out of the labor force than their younger counterparts. Taking the relationship of age and the probability of dropping out of the labor force into account, older job losers face potentially longer periods of unemployment than younger job losers.[24]

Since characteristics such as education and previous work experience may be related to the employment consequences of losing one's job, it is important to take these factors into account before reaching conclusions about the effects of age and age discrimination on the employment problems of older workers.

For older male job losers, age and other factors, including education, race, and health affect the length of time men are unemployed. Black men, men with health problems, and those with less formal education are likely to remain unemployed longer than otherwise similar male job losers.[25] The fact that older men have, on average, lower education and poorer health than younger men increases the average duration of job search of older job losers.

For women, however, being older, affects the length of unemployment even after other factors are taken into account.[26] This could be an indication of age discrimination in hiring against older women.

Previous earnings can affect the length of time people look for new jobs because they may try to find jobs that pay as well or better than their previous jobs. To the extent that employers are unwilling to meet the salary demands of job losers, these persons will remain unemployed until they lower their earnings expectations. Thus, the previous earnings of older workers can become a barrier to finding employment if their earnings expectations are unrealistic. This suggests that assistance for older job losers focusing on gaining realistic expectations of the labor market might encourage more displaced workers to take advantage of training opportunities. Realistic expectations may also reduce the amount of time older job losers spend seeking jobs that pay them what they earned on their previous jobs but are unavailable in local labor markets.

Job Loss and Earnings

Although older job losers take longer than younger people to find their next jobs, many older job losers do not experience large reductions in pay on their new jobs. They may have had low pay previously or they may possess skills that are readily transferable to new jobs. Earnings reductions are greatest among older workers who are looking for work during poor labor market conditions, who have substantial nontransferrable skills and knowledge associated with seniority, or are age 65 and older.

Wage losses appear to be largest in unfavorable labor market conditions. In a Commission-sponsored study of men age 45 and older who lost their jobs between 1966 and 1978, the average loss in earnings on subsequent jobs was 3.5 percent.[27] Older workers who lost their jobs between 1966 and 1969, a period of relatively low unemployment, generally did not experience a wage loss. However, older workers who lost their jobs in a period of higher unemployment, between 1969 and 1978, experienced an average wage loss of 6 percent on their next jobs, and these individuals had also averaged two years more seniority than the job losers during the low unemployment period. Thus, in times of low unemployment, a high demand for workers appears to compensate for the loss of seniority. Conversely, job loss in periods of high unemployment results in greater earnings loss because affected workers have greater seniority and correspondingly higher wage losses.

Ninety percent of older job losers' wage losses were due to the nontransferability of the workers' firm-specific skills and knowledge associated with seniority. Firm-specific skills refer to the knowledge and skills presumed useful only to a specific employer. In other words, most employers are willing to pay more to workers who "know the ropes."

Because older workers have more seniority than younger workers, and thus more firm-specific skills, their loss in average hourly earnings from one job to the next is correspondingly greater. For example, workers in the study just cited who were age 60 when they lost their jobs averaged more than 11 years of job tenure; these workers experienced an average wage loss of 6 percent. Workers who were ages 45 through 49 averaged 6 years of job tenure when they lost their jobs; they had on average a 3 percent loss in wages. Because most older workers who were forced to change jobs lost more seniority in the job change, the drop in average hourly earnings on a new job is greater than the drop for younger workers in similiar situations.

For persons over 65, the study found greater earnings losses than could be be explained by loss of firm-specific experience alone. Some of the loss in earnings for this group can be attributed to changes in the occupations and hours of work of the job losers. For instance, workers over 65 who returned to work were more likely to change occupations and to work part time than were workers between the ages of 45 and 49 in the sample.

Job Loss and Retirement

Older job losers are much more likely to retire than are older workers of the same age who have not lost their jobs. For example, when the national unemployment rate was 6 percent, almost 30 percent of male job losers age 60 retired; by contrast, less than 10 percent of all males age 60 who were still employed retired at that time, according to Commission-sponsored research.[28]

High unemployment rates disproportionately increase the number of older job losers who retire early. For example, although an estimated 18 percent of all 60-year-old job losers retire when the economy is at 4 percent unemployment, almost one-half (44 percent) of 60-year-old job losers retire when the economy is at 8 percent unemployment. Moreover, once retired, these workers tend to stay retired.

Although this retirement may be considered voluntary in the sense that workers prefer retirement to searching for or accepting jobs, the retirement is induced by economic conditions. The workers would not have retired if they had not lost their jobs or if conditions had proved more propitious for finding new ones. As a result, job loss and high unemployment have significant long-term costs for the economy in terms of both the loss of potentially productive workers and the increased Social Security, private pension and other payments.

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In summary, the position of older workers in the labor force generally is better than that of younger workers. However, significant labor market problems exist for many older workers. Age discrimination is one cause of these problems, but the problems are often caused by older workers' experiences and personal characteristics. Some have problems based on a lifetime of disadvantages; others experience problems because of unanticipated changes in their work or personal circumstances; and, for many, job loss results in longer unemployment and reduced pay. Both the private and public sectors have taken steps to overcome these difficulties as the following chapter shows.

IV. Private and Public Responses to the Employment Problems of Older Workers

Although older workers have fewer labor market problems in general than younger workers, several million individuals over age 45 do have problems that need redress. They include: age discrimination, limited training opportunities to update skills, inflexible working arrangements, and a lack of good part-time work opportunities. Retirement-age individuals desiring employment may have similar problems or face other barriers to employment such as negative stereotyping that limits employment and advancement or physical disabilities that interfere with regular work routines. Some private sector employers have tried to accommodate the employment needs of older workers, especially retirement-age workers. There are also some Government programs designed to overcome the employment problems of older workers.

Employer Programs and Practices

A number of companies have developed programs, work schedules and personnel practices to meet the needs of retirement-age individuals who wish to continue working. Such efforts may expand as the labor force grows older. An aging labor force and changing employment patterns may influence employers to review personnel policies as well as compensation and reward programs to accommodate these changes. The discussion of employer programs and practices that follows examines the types and availability of programs and practices and the impact of Government policies.

Part-Time Employment

About 14 million workers were voluntarily working part-time in December 1983; nearly 4 million were age 45 and older.[29] Another 1 million individuals age 45 and older would have liked full-time jobs but worked part time.

Health problems often limit the amount and type of work that individuals can perform. The Social Security earnings test, which is discussed in the following chapter, limits the amount of earnings that are allowable before Social Security benefits are reduced. Thus, individuals who want to continue working and who do not want to have their Social Security benefits reduced must limit their hours of work, usually through part-time employment.

Retirement-age persons often express the desire for part-time work, but the normal pattern is to move from full-time work to complete retirement. According to one recent survey, almost 80 percent of workers over the age of 55 preferred the prospect of part-time employment to complete retirement.[30] Although more than half of the people over 65 who work do so part-time, the vast majority of persons over 65 do not work at all. In December 1983, 88 percent of the persons age 65 and over did not work, 6.3 percent worked part time, and 5.7 percent worked full time.[31]

The discrepancy between the expressed desire for part-time employment and the actual experience of retirement-age workers was examined in a Commission-sponsored study.[32] The study concluded that part-time jobs are available for older workers, but such jobs are often low paying or otherwise unattractive to people eligible for retirement-based pensions. Although changing Federal policy could influence the part-time market for older workers by providing financial incentives to employers to hire older persons for part-time jobs, such a change may not be beneficial. The number of older workers holding part-time jobs is influenced by low pay. Currently, most older workers respond by choosing complete retirement over part-time work.

The low pay, can be explained in part by the relatively high hourly costs to the employer of part-time workers. The costs of hiring, training, supervising, and providing certain benefits tend to be fixed whether the employee works part time or full time, and thus the hourly cost goes up as the number of hours worked drops. Also, for some jobs, productivity is less for part-time than for full-time work. Employers offset these costs by paying part-time workers less than full-time workers.

Current Federal policies seem to have little effect on these costs or on other factors affecting the provision of part-time employment opportunities for older workers. Most Federally mandated expenditures vary with workers' pay, and thus amount to approximately the same proportion of total employment costs for part-time and full-time workers—about 8 percent of total employment costs. For example, the share of total employment costs in 1981 was 6.1 percent for Social Security taxes, 0.9 percent for unemployment insurance, and 0.8 percent for worker's compensation.[33]

Older persons expressing a desire for part-time jobs may really wish to work reduced hours at their current job or one similar to it. Few employers appear to have such flexible personnel practices, and it is not obvious that the Federal Government should or could intervene in this area.

Types and Availability of Programs

Some employers have developed program options, work schedules, and formal and informal personnel practices tailored for older workers who want to continue working at less than full-time jobs. These innovative employment programs and practices can be used by other companies to increase employment opportunities for retirement-age workers. Program options include: job sharing, phased retirement, labor pools of retired personnel for part-time work, and active job recruitment of older workers to fill open positions. More informal practices include: job redesign, job transfers, and job retraining. Many of the jobs offered under such programs are attractive to older workers because they pay more than typical part-time jobs, and they allow continued employment in the same firm, rather than requiring workers to find new jobs.

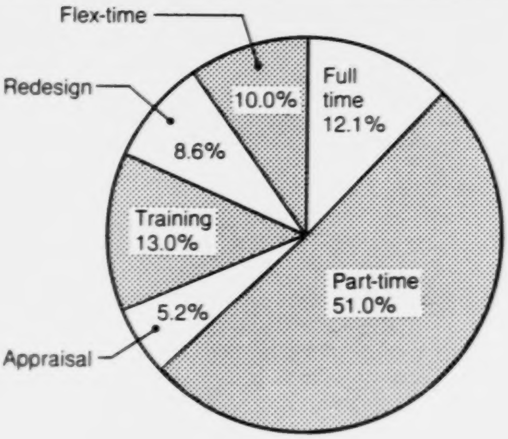
Employment options are offered when they are seen to be profitable.[34] Companies that design and use such programs and practices often are making a conscious effort to project a positive image to older individuals. They also use such programs to meet productivity and labor demands. Companies report several reasons for initiating programs and practices targeted to older workers. Some company offerers believe that older workers help attract older consumers to buy their products; others want to stabilize their younger work force with older-worker role models. A number of companies want to gain experience in working with a generally older work force in anticipation of an aging labor force. Some want to hire older workers who would accept lower wages for part-time work. Other companies report that they are responding to government policies such as those contained in the Age Discrimination in Employment Act. Many companies believe that it is less expensive to retain and retrain, as necessary, current older workers rather than recruit and hire younger, new personnel. However, these programs and practices are vulnerable to the economic climate. Economically hard-hit companies may sometimes discontinue such programs or offer fewer attractive options to older workers.

Most of the employer programs and practices focus on part-time employment for older workers. Figure 18 displays the distribution of types of employer programs included in the University of Michigan National Older Workers Information System (NOWIS), a computerized data bank containing descriptions of employer programs and practices for older workers.[35] Many of these options are provided informally rather than as part of a formal, written and structured company program. However, few older workers take advantage of these options; some because they have adequate retirement income and others because of insufficient information about these programs.

Many of the employer programs and practices that exist affect only a portion of a company's work force. Figure 19 below presents the occupational distribution of employer-sponsored older worker programs. Over 70 percent of these programs are directed to workers in white collar occupations, who comprise approximately 58 percent of the total work force ages 45 through 64. Clerical and other than professional and managerial white collar workers represent about 30 percent of the work force but over 40 percent of the target group for such programs. Blue collar workers, on the other hand, are underrepresented with only 28 percent of employer programs directed to their needs in contrast to about 42 percent representation among the older work force. Thus, employer approaches, however varied, appear to address only particular segments and certain needs of the older worker population.

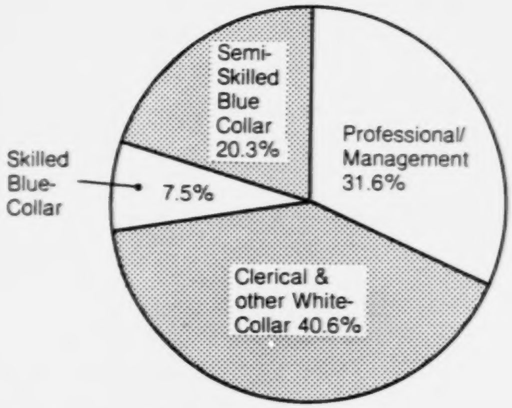
Employer programs are only offered when they benefit the employer as well as the worker. For older workers, they represent the chance to continue working. For employers, these programs are often perceived as a type of employee benefit, like health insurance, that contributes to high morale

Figure 18. **Program Types in the National Older Workers Information System**



Source: Root and Zarrugh

Figure 19. **Occupational Distribution of Persons in Employer-Sponsored Older Worker Programs**



Source: Root and Zarrugh

and improved job performance. Some of the program options and informal practices (labor pools, phased retirement and job sharing) may also be used to encourage older employees to retire, particularly in declining industries.

One advantage associated with designing employment options is that managers develop objective job and worker appraisal systems. These systems can not only eliminate inappropriate age stereotyping, but can improve the general utilization of a company's entire work force. Employer programs and practices may be considered fairly inexpensive management tools that provide managers with the flexibility to manage the older work force and meet the needs of retirement-age workers who want to continue working.

The Role of Government Policy

Government policies and legislation have affected the use of private sector older worker programs in three ways, by: stimulating the creation of such programs; influencing their design; and restricting the use of these programs by older workers and retirees. One-third of the company representatives interviewed for a Commission-sponsored study stated that their companies moved to offer employment options for older workers because of the Age Discrimination in Employment Act or because State policy eliminated mandatory retirement.[36]

The design of employer programs is importantly influenced by two Federal laws. The number of hours retired individuals can work is affected by the Social Security earnings test, which provides for a reduction of current benefits by 50 cents on every dollar earned over $7,320 for persons age 65 and over. The Employee Retirement Income Security Act of 1974 contains a provision commonly referred to as the "1,000 hour rule," which mandates pension credit toward vesting for employees working 1,000 hours or more during a 1-year period. In response to this provision, management usually restricts annual part-time work hours to fewer than 1,000.[37] Another ERISA provision allows pension benefits to be suspended for retirees who are reemployed for 40 or more hours in a calendar month.

Private sector approaches regarding older worker employment opportunities are important; they work if they benefit both employers and employees. Unfortunately, there are too few employer programs and practices to meet the needs of all segments of older individuals seeking employment. Even if the employer-sponsored programs were to expand substantially, there remains an important training and employment role for Government regarding older workers.

Public Job Training Programs

There are two major Federal job and training programs that offer services to older workers: the Job Training Partnership Act (which replaced the Comprehensive Employment and Training Act) and the Senior Community Service Employment Program (Title V of the Older Americans Act). These programs are administered by State or local Government entities and private non-profit organizations under the oversight of the U.S. Department of Labor.

The Job Training Partnership Act and the Comprehensive Employment and Training Act

Effective October 1, 1983, the Job Training Partnership Act (JTPA) replaced the Comprehensive Employment and Training Act (CETA). Like CETA, JTPA aims to prepare and place eligible participants in unsubsidized employment. However, JTPA differs from CETA in a number of ways. The key differences that affect older workers are three:

- JTPA focuses on training for unsubsidized employment;
- JTPA reserves 3 percent of the funds for training services to be provided to low-income individuals age 55 and older; and
- JTPA establishes a separate title (III) for the provision of training services to displaced workers, regardless of income. (Eligibility is related to actual or anticipated long-term unemployment).

Despite the fact that funds were not set aside specifically for training older workers under CETA, that Act did provide training for low-income older workers in its regular programs. Anticipating JTPA requirements, the Commission sponsored research to examine the extent and effectiveness of Federal job training for older workers under CETA.[38] In marketing and providing services to older workers under the JTPA, an important consideration is what factors influence participation. Pertinent questions arising from CETA experience include the following: Do age differences in participation rates result from age discrimination (prohibited in Federal programs by the Age Discrimination Act) or from other factors such as health or unemployment experience? Do special population groups such as minority individuals and women have fair access to training services? Are there special barriers such as physical handicaps that can be eased by the actions of program operators to encourage participation? The research findings, which provide valuable insight about older workers' experiences in job training programs, are discussed below.

Eligibility and Participation

Estimates of CETA eligibility and participation rates, together with the effects of various factors on older workers' participation in CETA programs, are useful to know, even though JTPA eligibility rules differ from CETA, requiring only that participants be economically disadvantaged. CETA eligibility rules were more restrictive, requiring participants to be economically disadvantaged and either unemployed, underemployed or in school. However, CETA eligibility estimates can be useful indicators for JTPA because if low-income older persons are not employed or underemployed, they are unlikely to apply for JTPA training.

A large number of older people were eligible for CETA program participation.[39] Approximately 7 million persons age 45 and older (11 percent of this age group) were eligible for training in 1980. Only a small fraction of these eligible persons actually participated in CETA; about 62,000 persons age 45 and older received training under CETA in 1980, or about 1 percent of the persons in this age group eligible to participate in the program. Of this group, 23,000 were age 55 and older.

CETA eligibility and participation rates are presented in figure 20. As shown, the percentage of eligible persons participating in CETA declined with age. The small number of participants must be viewed in the context of limited funds and the number of individuals eligible as well as other factors that affect participation.

Age differences in public job training program participation rates are dramatic. These differences can be partially explained by the fact that older persons are likely to have several characteristics associated with lower participation in such programs.[40] However, for each year of age after age 45, participation declined after other influences were accounted for. The decline of CETA program participation with advancing age mirrors the decline in older workers' labor force participation and the availability of other income sources. Because people of retirement age usually do not expect to continue working for many more years, the personal investment of time, money, and commitment to training may be too great for them to participate in a public job training program. Therefore, some of the reduced participation associated with age is undoubtedly voluntary. For example, although a large number of individuals age 71 and older (1.7 million) were technically eligible for CETA participation in 1980, it is reasonable to assume that they had little interest in training. Although part of the reduced expectations regarding labor force participation may be due to perceived age discrimination in the labor market, low program participation is not, for the most part, due to systematic discrimination by program operators as had been previously suggested.

Labor force participation, family income, education and health status are other key factors affecting the participation of older people in job training programs. The stronger the labor market attachment of eligible individuals, the more likely they were to participate in CETA training. For example, eligible persons who worked more weeks or experienced more severe unemployment were more likely to participate in CETA training. Higher family income or access to alternative sources of family income appear to have discouraged CETA participation. Family income includes the earnings of individual family members as well as unearned income such as Social Security benefits, public assistance payments, interest payments and Supplemental Security Income (SSI). Poor health also is associated with low participation in CETA training. In addition, eligible single persons, widows, and persons with above-average years of education were more likely to participate in CETA than married persons or those with below-average educational attainment.

Minority participation in CETA title IIB is displayed in figure 21. (CETA title IIB data are used because, like JTPA, CETA title IIB focused principally on job training.) As shown, eligible older blacks were somewhat less likely than older whites to participate in CETA training; eligible older Hispanics participated in about the same proportion as whites. However, after controlling statistically for factors affecting participation, Hispanics were somewhat less likely to participate than their numbers in the eligible population would indicate, and the difference between older blacks and older whites is greatly reduced. The difference in

Figure 20. **Eligibility and Participation by Age for CETA Title IIB in 1980**

Age	Eligibles as a Percentage of Population in Age Group	Participants as a Percentage of Eligibles in Age Group	Number Eligible in Age Group	Number of Participants in Age Groups
14 - 21	17.6	6.8	5,707,000	387,500
22 - 44	14.1	4.1	10,777,000	444,300
45 - 54	9.7	1.8	2,177,000	38,700
55 - 61	10.8	1.0	1,717,000	16,200
62 - 64	8.9	0.5	523,000	2,700
65 - 70	9.6	0.3	984,000	2,700
71 +	12.0	0.1	1,727,000	1,300
total 14 +	13.3	3.8	23,612,000	893,400
total 45 +	10.3	0.9	7,128,000	61,600
total 55 +	10.7	0.5	4,951,000	22,900

Source: Rupp et al.

Figure 21. **CETA Title II-B Participants by Minority Status Age and Sex**

	White		Black	
	Participants	Participants/ Eligibles	Participants	Participants/ Eligibles
Age	Number	Percent	Number	Percent
14-21	182,719	6.17	149,320	8.25
22-44	228,523	3.52	141,093	5.31
45+	39,932	0.91	12,486	0.66
Total	451,175	3.26	302,897	4.77

	Hispanics		Other	
	Participants	Participants/ Eligibles	Participants	Participants/ Eligibles
Age	Number	Percent	Number	Percent
14-21	42,666	6.02	12,746	5.65
22-44	48,305	3.98	26,387	6.29
45+	5,366	0.88	3,031	1.73
Total	96,338	3.00	42,963	4.96

	Males		Females	
	Participants	Participants/ Eligibles	Participants	Participants/ Eligibles
Age	Number	Percent	Number	Percent
14-21	192,143	7.03	195,307	6.57
22-44	203,855	4.06	240,452	4.18
45+	25,070	0.91	36,545	0.83
Total	421,069	4.01	472,304	3.60

Source: Rupp et al.

Hispanic participation may be attributed to the lower-than-expected CETA participation of older Hispanic women.

The size of the job training program is constrained by budgets established by the Federal Government; the funding is sufficient to serve only a small fraction of the persons who are eligible. Tightening the eligibility requirements for JTPA training could ensure that services are received principally by the most needy. However, selection of the most appropriate participants may be best accomplished by older persons themselves through application to the program and by the local program operators who are in a position to assess the applicant's need for training. Regardless of eligibility requirements, older individuals' participation in JTPA depends upon their perception about whether JTPA is useful in meeting their employment needs.

Benefits

For the relatively small number of individuals age 45 and older who participated, job training programs funded under the Comprehensive Employment and Training Act were generally successful. Average employment and earnings gains were significant. In the year immediately following participation in a CETA program, individuals age 45 and older had an employment rate of 53 percent compared with 45 percent for similar, but not enrolled, individuals.[41] Average annual gains of $418 in wages and 4.5 weeks of employment were attributable to CETA for this age group. These gains are comparable with the wage and employment gains found for other groups of CETA participants. Participation in CETA led to a 20 percent increase in the employment rate for individuals age 45 and older.

In short, CETA worked for those older workers who participated in the program, and it follows that older individuals can benefit from JTPA. Older persons do respond to the costs and perceived benefits of participation in a public job training program. Segregated training programs do not appear to be the best solution. Older workers have backgrounds, life experiences and training needs that differ from younger disadvantaged persons. However, these training needs can be taken into account and accomodated under JTPA. The employment and earnings gains reflect favorably on the decisions of those older workers who participated in CETA.

Senior Community Service Employment Program

The Senior Community Service Employment Program (SCSEP) provides part-time jobs for low-income individuals age 55 and older in community service agencies. Although some job training for unsubsidized employment occurs, the emphasis of SCSEP is on providing income support to eligible individuals who perform useful community services. The Commission-sponsored research examined eligibility and participation under SCSEP.

Eligibility and Participation

To be eligible for SCSEP, a person must be 55 or older and have a family income less than 125 percent of the Federal poverty level established by the U.S. Office of Management and Budget. Unlike CETA, there is no unemployment or underemployment requirement. Figure 22 below displays eligibility and participation by age for enrollees in the SCSEP program. Slightly more than 11 million persons, or about 25 percent of the population age 55 or older, were eligible for SCSEP in 1980.[42] Only 77,000 individuals, or less than 1 percent of those eligible, participated in SCSEP in that year.

As in CETA, age and other factors affect participation.[43] Participation in SCSEP declines with age for individuals ages 55 though 61. However, unlike CETA participation patterns, SCSEP participation is higher for individuals between age 62 and 65. Because many individuals retire at age 62

Figure 22. **Eligibility and Participation by Age for Senior Community Service Employment Program, 1980**

Age	Eligible as a Percentage of Population in Age Group	Participants as a Percentage of Eligibles in Age Group	Number Eligible in Age Group	Number of Participants in Age Group
55 - 61	17.4	1.0	2,755,000	27,200
62 - 64	20.1	1.1	1,180,000	13,200
65 - 70	24.8	0.9	2,552,000	23,300
71 +	34.7	0.3	4,995,000	13,300
Total	24.8	0.7	11,482,000	77,000

Source: Rupp et al.

or age 65 as they become eligible for partial or full Social Security benefits, program participation patterns suggest that SCSEP part-time employment is used as a means of supplementing Social Security payments. SCSEP appears to be attractive to early retirees and, to a lesser extent, to individuals who retire at the customary retirement age. Participation in SCSEP declines for individuals age 71 and older. Many of these individuals have left the labor force and do not want to work or are unable to work. Single persons, widowed individuals and males are more likely than married persons or females to participate in SCSEP. Other factors being equal, blacks and Hispanics appear to be somewhat over-represented in SCSEP.

Because it is unlikely that funding for SCSEP will increase dramatically, tightening eligibility requirements for SCSEP would ensure that services are received by only those most in need. Similar to CETA, the more disadvantaged individuals are served in higher proportion under SCSEP because of self-selection among eligible persons and targeting by program operators.

Benefits

Analysis of the effectiveness of SCSEP in terms of post-program employment of participants is not appropriate for two reasons: A principal aim of the program is to provide part-time employment through community service agencies (even though the Federal Government has established a 15 percent placement goal), and there are no time limits for the duration of participation in the program. In addition, there are no nationally representative data on post-program employment for SCSEP. It is best, therefore, to examine the performance of SCSEP in terms of work and income for low-income older individuals and the delivery of needed public services.

The SCSEP program provides part-time work in projects that enhance community services.[44] Project examples include assisting in social welfare agencies, preparing and transporting hot meals to home-bound individuals, weatherizing homes, repairing buildings, and maintaining recreation areas. Although these activities do not lend themselves very well to cost-benefit analysis, one can conclude that SCSEP is useful as a small work experience program for low-income adults over age 55. The relatively few individuals who do find part-time employment in SCSEP at the Federal minimum wage consider their jobs worthwhile. Studies have shown that participants' self-esteem and sense of well-being are considerably higher and that they often remain independent longer than they might otherwise have done in the absence of the program. The opportunities provided by SCSEP are particularly important for older individuals residing in areas of high unemployment and for individuals who expect to retire and do not wish to invest in job training.

The Employment Service

The Employment Service has historically provided a range of services to individual job seekers of all ages. Such services have included job referral, counseling, testing, job development and referral to job training or support services. However, a Commission-sponsored study that used the Employment Security Automated Reporting System data reveals that the only service most jobs seekers of any age receive is job referral.[45]

Older job seekers were considerably less likely to receive job referrals than younger job seekers. For example, during a 6-month period, only 15 percent of the male and 22 percent of the female job seekers age 45 and older received at least one job referral compared with 31 percent of the male and 34 percent of the female job seekers ages 25 through 44. The reasons for differences in job referral rates between older and younger job seekers are not entirely clear. The differences are not due to differences in characteristics such as education. They may result from dissimilar treatment or lack of appropriate employment opportunities. The differences in the referral rates of older and younger job seekers may indicate that Employment Service offices are not referring older job seekers to all the jobs for which they are qualified. The jobs listed with the Employment Service are often entry-level jobs with low pay, and they may therefore not match the skills, experiences, and interests of many older workers. In some States, recent retirees are allowed, albeit informally, to collect Unemployment Insurance benefits even though they do not intend to take another job. In order to collect benefits, they must register with the local Employment Service office, artificially inflating the number of older job seekers.

ES job referral makes a significant difference in the job search efforts of older women. However, it seems to make little difference in the reemployment of men. Older women with job referrals had 7 fewer weeks of unemployment and annual earnings of $570 more than older women without job referrals. Men with job referrals earned a modest average of $77 more per year than men who looked for work on their own.

The documented success of job referrals for older women seems to indicate that if efforts are made to match older workers to available jobs, the length of time that they spend looking for work can be shortened. Further training of Employment Service staff designed to provide effective services to older workers may improve this situation. The JTPA 10-percent (Wagner Peyser Act/Employment Service) setaside under title V could be used to facilitate the development of special services for older workers or to support the cost of building Employment Service model programs for them.

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In summary, the employment problems of older workers are addressed by both the private sector and the government. Many retirement-age workers indicate that they would like to continue working at least part-time. Low pay and a lack of flexibility in many employment situations prevent this desire from becoming reality. Employer programs and practices are successful only when they benefit both the employer and the employee; they do not serve large segments of the older work force.

Thus, government has an important role to play in addressing employment problems of older workers that cannot be reasonably addressed through the private sector. Based upon older workers' experience in CETA, JTPA provides an opportunity to improve their employment prospects. The Senior Community Service Employment Program has been found to meet its goals of providing part-time community service work for low-income older individuals. Matching workers with jobs through the Employment Service is another area where government can make a difference. However, there are also issues, such as the number and quality of part-time jobs, for which the government role is necessarily limited.

V. From Work to Retirement

Formal retirement from paid work in the United States has been made financially possible for most older workers by the adoption and expansion of the Social Security system, the growth of private pensions, and increasing affluence, which has allowed the accumulation of personal savings. Due largely to these sources of increased retirement income, the labor force participation rate of older workers has declined sharply, as an increasing number of older workers have chosen retirement at ever earlier ages.

Federal policies influencing the retirement decision are a central part of overall national employment policy, because the decisions of people to retire from paid work directly affect the size and makeup of the labor force. Several provisions of Social Security and private pension plans (which are regulated by the Federal Government) affect the timing of retirement. These are potential levers that public policymakers can use to influence the decisions of people to work or retire, even though their individual choices cannot be predicted without detailed information about their circumstances.

Expectations of retirement also influence the training and employment decisions of individuals and firms. People who expect to retire in a few years are less likely than persons with longer anticipated careers to invest in education or training, even if that would make them more competitive in the labor market. Similarly, firms are less likely to invest in the training of workers approaching retirement age if they believe that the return on that investment would not be sufficient during the short period before the person retires.

In deciding when to retire, most people now have a choice between (1) the personal gains from additional leisure combined with retirement income and (2) the monetary and personal rewards of continued work. For the majority, the choice is voluntary and clear. To receive Social Security retirement benefits, people who meet age and other eligibility criteria must be at least partially retired from the labor force; similarly, receipt of private pensions is conditional on retirement from the particular firm (and sometimes from the industry).

For many older workers, health problems explain why they retire when they do, and why they should not be expected to work. However, some workers with health problems may want to continue working for financial or other reasons, but in less strenuous jobs. Many could do so if rehabilitation assistance, retraining, job search assistance, or alternative work arrangements were available.

For other workers, however, the decision to retire is a matter of choosing the lesser of two evils. Many workers who would have continued working, retire after they lose their jobs late in their working lives. These workers sometimes face large pay cuts if reemployed, or have difficulty finding suitable new jobs. Others would like to continue working part time after they are eligible for pension or Social Security benefits, but are unable to continue part time in their preretirement jobs or to find acceptable alternatives elsewhere. In both cases some of the "voluntary" retirees lack sufficient retirement income to remain out of poverty.

Although the financial aspects of the retirement decision are of critical importance, individual and social attitudes also influence the choice between work and retirement. Being employed conveys more social status than being retired in many cases. Even with the option of sufficient retirement income, people may want to continue working because they prefer satisfying work to leisure.

The Nation's retirement policies are generally regarded as humane and based on sound economic principles. Income and other assistance are generally provided to those whom society does not expect to work. However, when workers feel they must choose retirement while they are still productive and willing to work, the economy loses the benefits of its earlier investment in human capital, and retirement benefits systems suffer a financial drain that could have been avoided.

Social Security

The establishment and expansion of the Social Security system has been a key influence on retirement decisions during the past 45 years. The number and proportion of workers eligible for benefits and the value of Social Security benefits for retired individuals have increased since the inception of Social Security in 1935. By January 1985, 22 million retired workers received benefits averaging $461 per month. Over 11,954,000 surviving spouses and dependents received benefits, and 2,603,000 individuals received disability benefits.[46]

By the 1980's, Social Security's future financial problems required attention. In 1983, the Administration, the Congress, and a special bipartisan National Commission on Social Security Reform fashioned legislation to address the long-term financial needs of the Social Security system without requiring major immediate cuts in benefits or drastic increases in taxes. The resulting legislation was enacted by Congress as the Social Security Amendments of 1983.[47] The Amendments are generally expected to be successful in resolving the system's financial difficulties, given reasonable projections regarding the behavior of the economy and individual retirement decisions. There are both de facto cuts in benefits and increases in taxes included in the Amendments, but most of these changes will be implemented over a long period of time. Four major aspects of the Social Security system's influence on retirement decisions are discussed below: benefit levels, age of eligibility, reductions in benefits and the earnings test.

Benefit Levels

The 1983 Social Security Amendments reduced the real level of future benefits in two ways. First, compared to previous law, the deferral of cost-of-living adjustment to benefits for 6 months reduces Social Security payments for each retired individual by one-half of the annual inflation rate in the preceding year. This deferral means a permanent reduction of benefits compared to what they would have been; it is expected to save the Social Security Trust Fund about $40 billion between 1983 and 1989 and about one-tenth of the expected gap between benefits and revenues (2.9 percent of payroll), which would have developed over the next 75 years without the amendments.[48] Second, Social Security benefits of higher income persons are subjected to income taxation for the first time with the proceeds going to the Social Security Trust Fund. This means that if the total income of a Social Security recipient exceeds $25,000 for an individual or $32,000 for a couple, one-half of the Social Security benefits will be subjected to taxation. This provision will save the Social Security system $30 billion between 1983 and 1989 and 0.56 percent of payroll over the next 75 years. (Appendix F, explains how Social Security benefits are calculated.)

The changes described above reduce retirement benefits from what they would have been under the previous law, but they are unlikely to lead to any appreciable change in retirement ages. The reduction due to the deferral of the cost-of-living adjustment is small compared to the level of Social Security benefits. Taxation of benefits may be substantial for some higher income recipients but because these persons have substantial alternative sources of income, changes in the average retirement age will probably be negligible.

Age of Eligibility

The age of initial eligibility for Social Security benefits has an important influence on the retirement decision. Many persons cannot afford to retire without such benefits, or are reluctant to draw upon or borrow against existing assets to finance early retirement. The 1935 Social Security legislation made age 65 the initial age at which retirement benefits could be received; the law was amended in 1956 to allow women to receive reduced retirement benefits at age 62, and in 1961 this provision was extended to men. Figure 23 shows labor force participation rates in 1983 by single year of age for men and women 55 and over. The drop in the labor force participation of men ages 60 through 64 during the sixties was due in part to the earlier availability of benefits.[49]

During the formulation of the Social Security Amendments of 1983, raising the average retirement age to ease the financial burden on the Social Security system was discussed. One proposed approach was to raise the age of eligibility for initial benefits by eliminating retirement benefits for the period before that age is reached. The approach that was finally selected restructures the benefit schedule by increasing the monetary gain for postponing retirement after age 65 and by raising the full-benefit age from age 65 to age 67. The next section discusses why the actual increase in the average age of retirement is likely to be small as a result of these changes.

Reductions in Benefits

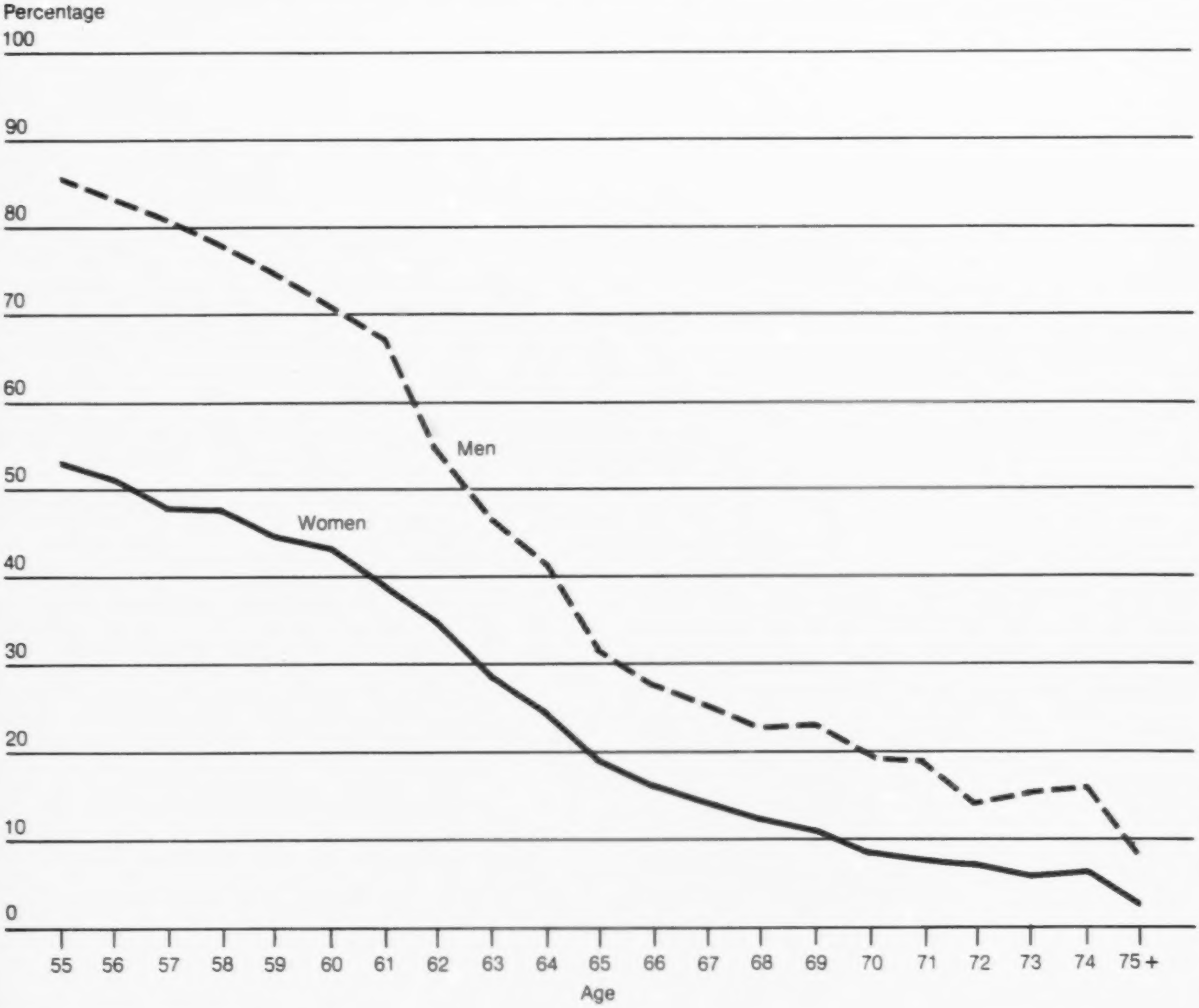
The amount of a person's Social Security retirement benefit depends upon the age at which the recipient files for benefits. The existing law's benefit structure has induced a large number of people to retire either at age 62 when reduced benefits are first available or at age 65 when full benefits are available. Under current law persons who retire at age 65 receive 100 percent of the potential benefit. Benefits for those who file between ages 62 and 65 are reduced by 6⅔ percent for each year under age 65. Individuals who retire at age 62, therefore, receive 80 percent of the age 65 benefit for the rest of their lives.

Workers who retire after age 65 have their benefits increased by 3 percent for each year thereafter that they delay retirement. However, retiring after age 65 usually results in a loss of lifetime retirement benefits. For example, an individual age 65 who is eligible for an annual $10,000 in benefits would get $10,300 per year if he or she retired at age 66. Because it would take more than 33 years to make up the $10,000 in benefits lost during the year's delay in retirement, total lifetime benefits would be lower for the individual who postponed retirement and died before age 99.

The 1983 Social Security Amendments, which raise the full benefit age from 65 to age 67 for individuals born after 1960, take full effect in 2027, when much of the post-war baby boom will be retired. For individuals born after 1960, the amendments make the benefit structure approximately neutral for retirement at all ages after age 62. The percentage reduction per year before the full retirement age will be similar to the current law. This implies a 30 percent penalty for accepting benefits at age 62 compared with age 67. The change in benefits for those delaying retirement after age 65 will be increased from 3 percent to 8 percent per year after 65. However, based on past experience, removal of the financial penalty for retirement after age 65 is unlikely to persuade many individuals to retire later. Most individuals retire before their 65th birthdays, the age at which the amendments increase the incentives for delayed retirement.

Results of a Commission-sponsored study imply that the financial savings to the Social Security system will come from paying reduced benefits to retired individuals rather than from paying current benefits over a much shorter period of time.[50] The study estimates that the average retirement age will increase less than 3 months if future workers respond to financial incentives much as today's workers do. The reason for this is the small response demonstrated by older individuals to incentives and the relatively small changes in the incentives as embodied in the 1983 amendments. Although individuals do respond to increased benefits, other economic and non-economic factors dwarf the probable response to the 1983 amendments.

Figure 23. **Labor Force Participation Rate by Age, for Men and Women 55 and Over, 1983**



Source: Bureau of Labor Statistics

The Earnings Test

The Social Security earnings test provides a work disincentive for substantial work between ages 65 and 71. A method of ensuring that Social Security benefits go to retired individuals rather than workers, it results in the reduction of a retired individual's benefit by 50 cents for every dollar earned above $5400 for those retiring at ages 62 to 64, and $7320 for ages 65 to 71 in 1985. Because of a provision of the law that allows recalculation of benefits at age 65, many Social Security beneficiaries under age 65 are only temporarily affected by the earnings test. In other words, their current benefits are reduced, but their benefits after age 65 are increased by a recalculation upon retirement.

The 1983 amendments lower the reduction in benefits to $1 for every $3 earned beginning in 1990, reducing the penalty for work after age 65. This lower reduction may encourage more Social Security recipients to work. However, the earnings test still implies a substantial tax on earnings when it is combined with the Federal income tax rate, the 1990 Social Security employee contribution rate of 7.65 percent, and any State and local income taxes.

Private Pensions

Private pension benefit levels have risen over the past several decades. Combined with Social Security, private pensions have provided an incentive for earlier retirement and helped reduce the incidence of poverty among retired individuals. The Federal Government first encouraged the development of pensions under the Revenue Act of 1921; this Act provided for pension contributions to be deducted from a company's taxable income, allowed pension funds to accumulate income without taxation, and deferred personal income taxation on pensions until workers retired. The 1974 Employee Retirement Income Security Act (ERISA) is intended to ensure that workers receive their pensions; it provides the framework of Federal regulation under which private pension plans now operate. ERISA covers such aspects of private pensions as: participation and coverage standards, funding requirements, minimum vesting requirements, and the establishment of the Pension Benefit Guarantee Corporation to insure benefits. This section concentrates on those ERISA provisions that have important labor market effects.

The combination of inflation and the progressive income tax has enhanced the value of the tax savings associated with private pensions over time. The growth of pension coverage coincides with both increased life expectancy and a reduction in the average age of retirement. An estimated two-thirds of all full-time private sector employees can expect to receive private pensions upon retirement.[31] These pensions currently have an average first-year annuity value of $6,100 in 1982 dollars compared with an average of about $5,000 annually for Social Security. It is important, then, to explore private pension structures, eligibility, vesting rules and coverage, and the integration of private pensions and Social Security.

Pension Structures

Although private pension plans have the same basic goal of providing retirement income to long-term workers, the plans differ considerably from one another. They also differ from Social Security, under which all recipients are affected by the same rules and benefit structure. ERISA regulations permit a variety of benefit structures, including incentives for early retirement and actuarial penalties for later retirement. This variation makes it difficult to generalize about the effects of pension plans on employment and retirement. Plans can affect the age of retirement differently. Across pension plans, however, the level of benefits usually depends upon years of service, earnings levels, and age at retirement.

There are two basic kinds of private pension plans: defined-contribution plans and defined-benefit plans. In defined-contribution plans, the employer usually contributes a percentage of each employee's wages into a fund, and the benefits are calculated on the basis of the total contribution and the investment earnings of the fund. In defined-benefit plans, the amount and rules determining the benefit are set in advance, and the company, following ERISA regulations, must build up a reserve fund to meet its pension liabilities. After a worker achieves eligibility, receipt of the pension income is contingent upon retirement from the firm and, in some cases, from the industry.

Similar to Social Security, the exact benefit structure of the plan can affect the age of retirement.[32] The general benefit level of a plan and the amount of total lifetime benefits provided at different retirement ages are important influences on retirement decisions. In some plans, benefit schedules associated with the duration of employment in the company and individual salary histories provide incentives for workers to retire at specific ages. For example, if early retirement benefits are reduced by an amount less than the amount that could be made up by a longer period of retirement, an incentive is provided for early retirement. If yearly pension benefits in defined-benefit plans for retirement beyond age 65 are not increased enough to make up for the shorter period of time over which the benefits would be received, delayed retirement is discouraged.

The ERISA regulations allow companies freedom to influence the age of retirement through the use of financial incentives. In other words, the Federal Government's pension policy permits companies to increase, to decrease or to keep level the sum of total discounted lifetime pension benefits that workers receive for early or delayed retirement. Thus, the Federal Government's pension policy in this area is neutral; it does not identify a single retirement age. It would take substantial changes in the Social Security incentives beyond the 1983 amendments and major revisions in private pensions to achieve a significant change in the average age of retirement.

Age of Retirement

Two features of private pensions are particularly important in penalizing workers who wish to retire after age 65. First, many private pensions fail to provide actuarial adjustment for previously accrued pension benefits if a worker chooses to delay retirement. Second, about one-half of the defined pension benefit plans do not contain provisions for accrual of pension benefits after age 65. Similar to Social Security, the first feature implies a penalty in the form of reduced total lifetime benefits for individuals who continue to work after a certain age. The second feature implies that total compensation is reduced after age 65.

The growth in pension coverage including plans that provide incentives for early retirement have accompanied the national trend to a lower average retirement age. Under many corporate pension plans, workers receive a bonus for each year (up to 4 years) they retire early and pay a penalty for each year they retire later than a company's conventional retirement age.[33] The greater the value that workers place on immediate compared with future benefits, the greater the early retirement incentives.

Participants in a pension plan generally accumulate retirement benefits over time based upon their earnings during each year in which they participate in the plan. ERISA provisions permit defined-benefit plans to exclude workers' earnings and service occurring after age 64 in determining benefits. This exclusion not only reduces the lifetime value of pension benefits for persons working after age 65, but it also discourages later retirement. The Age Discrimination in Employment Act does not require employers to guarantee workers over age 65, or conventional company retirement age, additional benefits through the accrual of additional benefits or the actuarial adjustment of previously accrued benefits. As a result, many pension plans have provisions that encourage retirement below age 70, the age at which under current law an employer can impose mandatory retirement.

Companies may use current pension structures to respond to rigidities in wage structures. For example, a company may be precluded from directly lowering the wages of older workers by social convention and legal constraints. If the gap between a worker's pay and productivity widens with age, some companies may be willing to pay higher pensions as a form of severance pay to workers who retire early.[54] Although a more efficient approach might be to single out individual workers and provide them with severance pay rather than to use a pension structure that provides incentives for all workers to retire early, the practical difficulties of doing so are significant.

Some companies that have been forced into retrenchment have "sweetened" early retirement benefits; for these companies, the voluntary retirement of older workers precludes the need to lay off or fire younger workers. Early retirement bonuses and other incentives reduce the employment of older workers, but the use of such financial incentives may be the most efficient and humane method for some companies to deal with declining employment.

In recent years, legislation has been proposed that would require pension plans to accrue benefits for participants age 65 and over. Because defined-contribution plans already must accrue benefits for individuals age 65 and over, these proposals would affect only defined-benefit plans. Existing legislation permits such accrual.

Assuming no change in retirement behavior, one study estimated that the effects of such legislative proposals on employers costs would be small for a variety of reasons.[55] First, relatively few workers currently work beyond age 64. Second, many workers do not participate in defined-benefit plans either because they are not covered by any plan or because their firm has a defined contribution plan. Further, the effects would be small because even in terms of defined-benefit plans, about half already allow accruals after age 64 and others have provisions that do not allow workers to accrue pension benefits for more than 30 years of service and these provisions would not be affected by the legislation.

Pension accrual for workers age 65 and older implies a new cost to some companies. However, this cost will not be more than the cost of pension accruals for workers age 60 through 65.[56] Under current regulations, the practice of non-accrual of benefits past normal company retirement age provides an incentive for retirement. Over time, more individuals may be induced to retire later as a result of the ability to accrue pension benefits past age 65 combined with the change from age 65 to age 67 for receiving full Social Security benefits. The increased cost of accruing benefits after age 65 might reduce the demand for the labor market services of this age group.

Vesting Rules and Coverage

Vesting is the process by which employees acquire a nonforfeitable right to pension benefits. Employees earn credit toward vesting in their pension plan each year that they work for a specific company. ERISA currently requires that employees in private pension plans be vested, at least partially, after 10 years on the job; employees who join a company less than 5 years before normal retirement age do not have to be included in pension plans.

Several legislative proposals have been introduced that would reduce the maximum number of years required to become fully vested to 5 years. According to a Commission-sponsored study, requiring 5-year vesting would increase employer costs by no more than 1.2 percent for any age group.[57] The costs of the 5-year vesting are small for two reasons. Relatively few individuals would be added to pension rolls by the proposed change. The benefits accrued to the individuals added to the pension roles would be small because 5 years is not sufficient time to accrue significant pension benefits.

Integration with Social Security

The integration of private pensions with Social Security implies that changes in Social Security benefits will affect the size of private pension benefits that workers receive. Companies are allowed to subtract a portion of Social Security benefits in calculating a retired individual's private pension benefits. The rationale for this integration is that companies pay for part of Social Security and, therefore, should be able to design pension programs that recognize company-financed Social Security benefits. The methods that can be used for integration are described in Appendix G.

The Social Security Amendments of 1983 will indirectly affect private pensions because of changes in Social Security benefits at specific retirement ages. Since Social Security benefits will be lower than the benefits provided under the previous law, part of the income loss would be made up from increased private pension benefits under integrated plans. The change in Social Security benefits could raise private pension costs unless companies alter their pension plans prior to that time.

Supporting the Retirement Population

At any given time, the goods and services produced by paid workers are allocated among not only themselves, but also to those not in the labor force, including retirees, children, institutionalized adults, and unpaid workers. The ratio of the rest of the population to paid workers is called the dependency ratio and serves as an index of the burden on the share of population in the paid labor force.[18] The aging of the baby boom generation and the increased life expectancies of older people are likely to affect the dependency ratio. An increase in the ratio may signal the need for policy response in the retirement system.

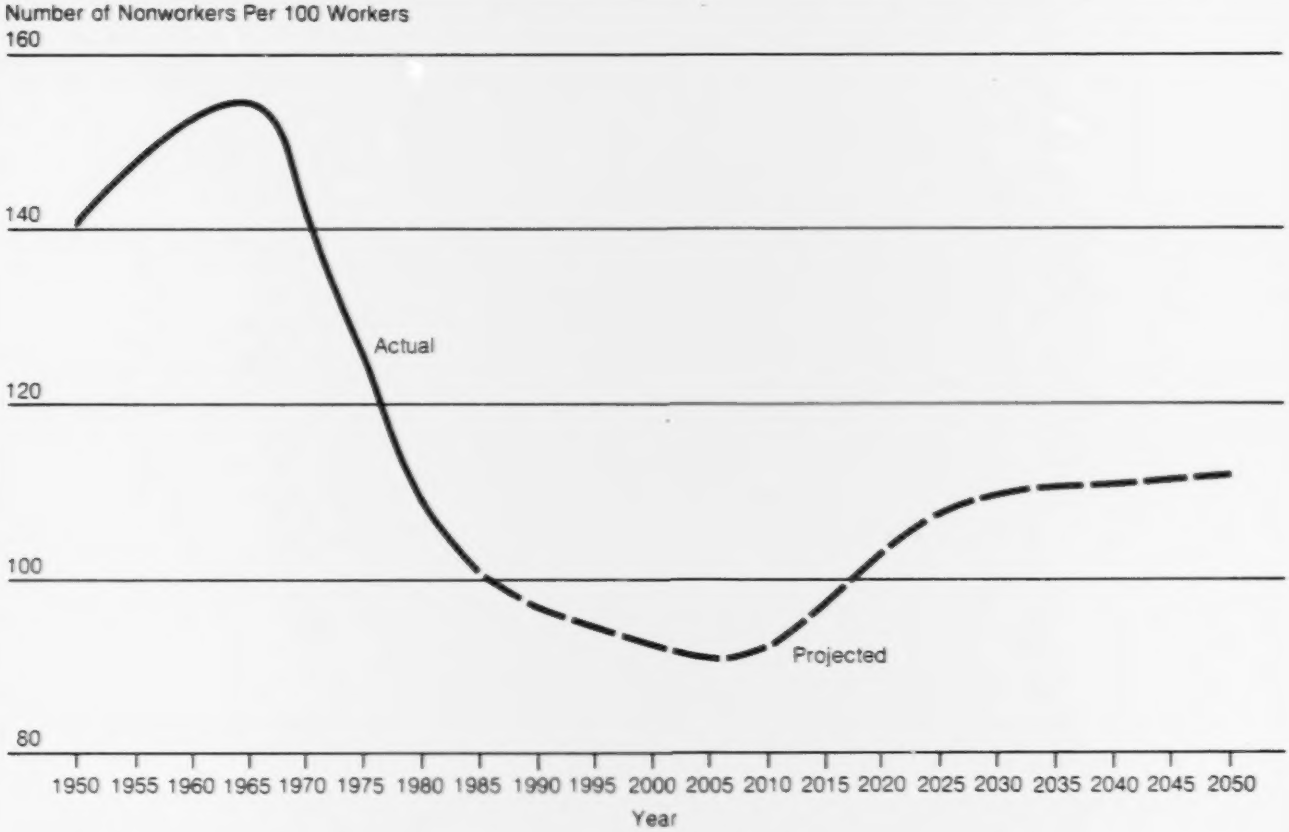
Much attention has been focused recently on the shrinking ratio of working-age people (18 to 64 years old) to those of traditional retirement age (65+). There is concern about whether the Nation will prefer to reduce retirement benefits, encourage later retirement, or take other major policy actions to lessen the need to tax current or future workers more heavily.

An examination of dependency ratio trends allows one to estimate changes in the general ability of the economy to support the retired population. To get the full picture of the dependency ratio, it is important to examine past trends as well as projections. Figure 24 shows the number of nonparticipants for every 100 labor force participants, beginning in 1950 and projected through the year 2050.

Contrary to popular impressions, dependency measured in this way has not risen, but has dropped sharply over the last 30 years and is expected to continue to decrease through the end of the century. The high point in the dependency ratio was in 1965 when there were over 154 nonparticipants for every 100 participants in the labor force. Since that time, the ratio has declined steadily as women's participation in the labor force has increased and birth rates have fallen. This trend is expected to continue over the next 20 years, when there will actually be more labor force participants than nonparticipants in the population. After that point, the ratio is projected to rise to around 115, but will still be substantially below the levels of 140 and more that the Nation experienced in the decades before 1970. Therefore, the ability of the economy to support its retirement age population in terms of the proportion of paid workers in the population will actually be improving over the next 20 years, and will remain above historical levels even after the baby boom generation reaches retirement age.

Some observers have argued that the expense of retirement systems and other public or quasi-public assistance to

Figure 24. **Dependency Ratio (Number of Nonworkers Per 100 Workers) 1950-2050**



Source: Bureau of Labor Statistics and National Commission for Employment Policy retirees involves a greater amount of taxes and interfamily transfers than for maintaining and educating children, other nonworking people, and unpaid workers. But even looking at the ratio of those over 65 to the working population, the situation is not expected to be substantially different over the next 25 years compared to the last 25 years. (See figure 25.) The number of persons 65 and over compared to the number in the labor force is not expected to rise significantly until after the year 2010.

Thus, even if retirees are more of a financial burden to the paid labor force than are other persons not in the labor force, major problems caused by this shifting burden will probably not occur during the next 25 years. Nevertheless, it is important to consider alternative work and retirement policies (such as raising the average age of retirement) for the years following 2010 if it appears that the burden will be too great for the economy of that time.

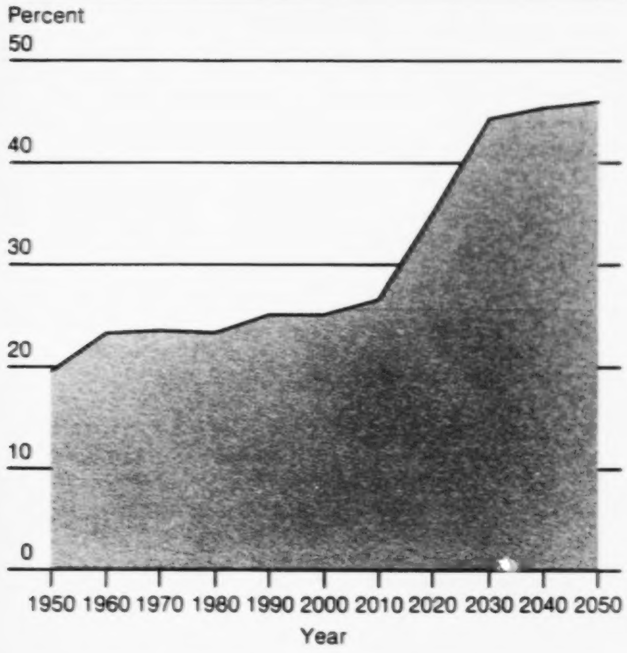
The latter point is crucial. Continued real growth of the U.S. economy along historical lines would do much to ease the burden of the retirement programs after the year 2010. If per capita income grows in the future as it has in the past decade, for instance, the burgeoning retirement-age population 25 years from now could be readily supported by the fruits of economic growth. Alternatively, the effects of slower economic growth could be addressed through policies to gradually reduce retirement benefits, negating the need for substantial increases in taxes on the labor incomes of future workers, while also reducing the attractiveness of retirement.

The issues raised by the new mix of dependents are complex and may require new policy responses in the long run. Nevertheless, demographic projections imply that the aggregate effect on the dependency ratio probably will not be great. The predictions that paid workers will be overwhelmed by a flood of retirees in the next few decades often fail to take account of demographic and labor market changes in this larger perspective.

Health and Disability

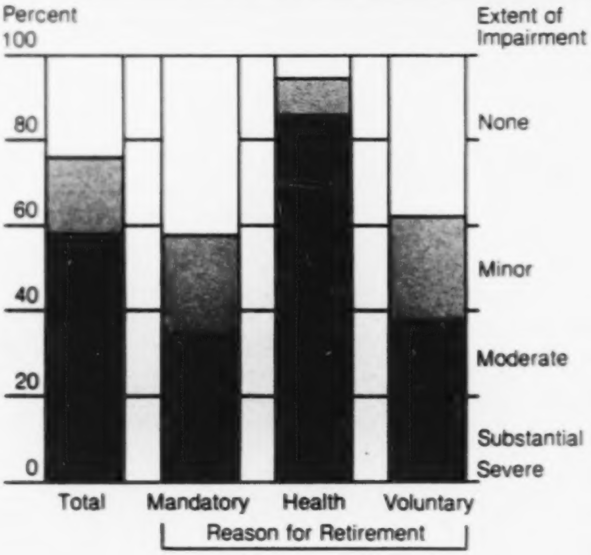
As discussed in chapter IV, poor health leads to early retirement. An estimated 35 percent of the men in the National Longitudinal Survey of Older Men who retired between 1967 and 1978 retired for reasons of poor health.[39] More than one-half of the men retiring prior to age 62, and 18 percent of those retiring after age 65 reported that they did so for health reasons. Almost one-half of the black men compared to one-third of white men retired for health-related reasons. Although it is hard to separate the effects of poor health from other reasons for retirement, figure 26 displays a 1976 index of health impairement as it applies to men who retired. The information in this figure indicates that 86 percent of the men who retired involuntarily by 1976 had moderate to

Figure 25. **Ratio of Population 65 + to Labor Force, 1950-2050**



Source: Bureau of Labor Statistics and National Commission for Employment Policy

Figure 26. **Men Who Retired Prior to the 1976 Survey, by Reason for Retirement and Extent of Impairment in 1976**



Source: Parnes

severe health impairment compared to 38 percent of the men who voluntarily retired.

The relationship between health and retirement is important to employment policy because of the connection between regular Social Security retirement benefits and disability benefits that are also part of the Social Security Act. Changing the provisions of one can have a countervailing effect on the other. To illustrate, the increase of the full-benefit age to age 67, and the accompanying greater reduction in benefits for individuals retiring between the ages of 62 and 65, under the 1983 amendments means reduced Social Security benefits for workers who retire early for health reasons. Individuals who now could retire for health-related reasons between age 65 and age 67 in the future will apply for disability benefits rather than accept reduced Social Security retirement benefits.

An individual is entitled to disabled workers benefits under Social Security according to the following definition:

> The inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment, which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. A person must be not only unable to do his or her previous work or work commensurate with the previous work in amount of earnings and utilization of capacities but cannot, considering age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy. It is immaterial whether such work exists in the immediate area, or whether a specific job vacancy exists, or whether the worker would be hired if he or she applied for work. In making a determination, the worker's impairment or impairments must be the primary reason for his or her inability to engage in substantial gainful activity, although age, education, and work experience are also taken into consideration.[60]

Disability benefits, which are based on a formula similar to that for Social Security retirement benefits, have increased dramatically over the last 30 years. The increased availability of disability payments partially accounts for the decrease in older men's participation in the labor force. This is particularly true for individuals with low earnings, and may also explain the greater drop in the labor force participation rate for older black men.[61] A high ratio of potential disability payments to earnings opportunities increases the incentive for eligible individuals to withdraw from the labor force.

Federal Government concern over disability expenditures in general has led to the tightening of administrative procedures for disability payment eligibility determination.[62] Individuals with limited job skills who lose their benefits in areas of high unemployment could suffer significantly under such procedures. However, detailed information about the effects of tightened procedures is not yet available.[63] In addition, Congress directed the Department of Health and Human Services to study the impact of raising the retirement age on low-income and health-impaired workers as a part of the Social Security Amendments of 1983. The objective is to determine if any additional provisions need to be made for health-impaired individuals age 62 and older who should not be expected to work.

Even for individuals who want to work past 65, health care is a concern. As part of the Tax Equity and Fiscal Responsibility Act of 1982, Congress amended the Age Discrimination in Employment Act to shift the cost of health care for some workers age 65 through 69 from Medicare to employer health plans. These workers are employed by companies with 20 or more employees. A Commission-sponsored study indicates that an estimated 434,000 workers, or about 37 percent of the private sector workers between ages 65 and 69, will be affected by these changes.[64] The total additional cost to companies for health care is estimated at $500 million; the new cost represents approximately 13 percent of the total compensation costs for workers not previously covered and 8 percent of the total compensation costs for workers who were previously covered by employer health plans before the 1982 amendments. About two-thirds of these workers were covered under employer health plans that supplemented Medicare and the remaining one-third of the newly covered workers were previously excluded from employer health plans. While the amendment may have significant employment effects in some firms, the study estimated it will not significantly affect the aggregate employment of older workers or of other age groups.

Tax Deferred Retirement Savings

Personal savings are the third major component of retirement resources. Personal savings contribute to the financial well-being of retired individuals. However, there is no consensus regarding the effects of personal savings on the timing of retirement, no clear evidence that individuals retire once they have saved a certain amount of money, or that individuals with greater assets retire earlier.

Federal policy in recent years has encouraged savings for retirement by allowing the deferral of taxes on retirement savings. Three instruments have been established for this purpose:

- Keogh Plans for self-employed individuals, initially authorized under the Self-Employed Individuals Retirement Act of 1962;

- Individual Retirement Accounts (IRAs), originally authorized by changes in the tax code in 1974 for individuals without pension plans, and greatly expanded under the 1981 Economic Recovery Act which allows all individuals under age 70 who work for pay to contribute up to $2,000 of their earnings to IRAs each year; and

- Tax Deferred Salary Reduction Programs, established by modifications to the U.S. Tax Code in 1978 to allow tax deferred payroll deducations for retirement savings.

The use of these three instruments, especially IRAs, has greatly expanded in recent years. Questions have been raised regarding the impact of these instruments on retirement decisions and the labor force participation of older workers. Unlike Social Security or private pensions, these instruments do not provide incentives for retirement at any specific age after the initial age for eligibility is reached. It appears that tax deferred savings will reduce some older individuals' reliance on Social Security and private pensions. IRAs might encourage some individuals to take earlier retirement than they might otherwise have done, but could encourage others to continue working past age 65 if a savings plan avoids the financial penalties for delayed retirement imposed by formal retirement systems. Because the use of IRAs in particular is recent, retirement behavior associated with these instruments should be monitored in future years. Low and moderate-income individuals, who are the bulk of the labor force, do not appear to be making substantial contributions under IRAs; there is no great tax advantage for them to do so, even if they had the discretionary income to save. Thus, it is unlikely that tax deferred retirement savings instruments will have a significant impact on the average age of retirement, the size of the labor force, or the retirement incomes of individuals with average or below average wage histories.

Mandatory Retirement

Americans have generally opposed forced retirement on the basis of age.[45] The 1978 amendments to the Age Discrimination in Employment Act reflected public opinion by raising the age at which employers could impose mandatory retirement on their workers from age 65 to age 70. The removal of the provisions allowing mandatory retirement at age 70 would probably have little effect on the labor force participation of individuals age 70 and over. A report of the U.S. Department of Labor found that "the complete elimination of mandatory retirement would result in an additional increase of approximately 200,000 workers" by the year 2000.[46] This is about 5 percent of the workers age 65 and older; on an annual basis this increase would be very slight. Because most workers retire before age 70 due to the influence of Social Security and private pensions, the principal effect of removing the mandatory retirement age provision would be to allow greater freedom of choice for those individuals who wish to continue working beyond age 70.

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In summary, Social Security and private pension plans have had and will continue to have an important influence on the age at which older workers retire. The availability of income from these sources has made retirement attractive to most older workers. Pension rules and the Social Security earnings test provide strong incentives for complete retirement. For some older workers, retirement is the result of job loss in poor labor markets or the onset of health problems. A strong economy and adjustment assistance for workers experiencing health problems, as well as improved health care in general, would allow many individuals to work longer. Other policy changes, such as ending mandatory retirement, or allowing IRAs, need to be justified on their own merits, since their influence on retirement decisions for most older workers is likely to be negligible.

VI. Conclusions

This report examines the labor market position of older workers and Federal and private sector policies that affect them. While many of its conclusions are consistent with previous research and assumptions, our analysis of the results of new research sponsored by the Commission and the Employment and Training Administration of the Department of Labor has developed a new perspective on the labor market problems and retirement decisions of older Americans.

While the population and the labor force are aging, this is due importantly to the aging of the post-war baby boom generation. The population over age 65 will rise gradually, but the major growth in the retirement-age population will not begin until after the year 2010. Currently, nearly one-third of the labor force is over age 45. This percentage is expected to be about the same for the next 15 years and then to increase gradually. The decision to retire from paid work, and thus Government retirement policies, directly affects the size and makeup of the labor force.

A central issue in the discussion of older workers' labor market problems is whether they are caused or exacerbated by age discrimination. While the exact extent of age discrimination is difficult to measure and while many of the labor market problems of individuals over age 45 are grounded in causes other than age discrimination, that age discrimination exists in individual cases is undeniable. It is necessary to address age discrimination through legal remedies including vigorous enforcement of the Age Discrimination in Employment Act by the Equal Employment Opportunity Commission.

Workers over age 45, in general, have fewer labor market problems than younger workers. However, there are groups within this older population which have special or more pervasive labor market problems than the general population. Although the problems of these groups—older job losers, minority individuals, women, and the health-impaired—are most often not solely attributable to age, they require the special attention of public decisionmakers, employers and program operators.

There are many examples of employer programs and age-neutral personnel practices that companies can adopt to combat age discrimination and to increase employment opportunities for older workers, especially those individuals approaching conventional retirement age. Employer actions that simultaneously meet company-specific needs and the training and employment needs of older workers are critical to the improvement of older workers' employment opportunities.

Although employer actions are critical to the improvement of the employment situation of older workers, many older workers have a need for training and other services that cannot be adequately addressed by employers alone. Thus, government has an important training and employment role to play. As a general rule, older workers can be successfully served by existing public job and training programs as long as proper attention is paid to older individuals' needs. Comprehensive Employment and Training Act (CETA) programs were generally successful in training and placing older workers in private sector employment. Although older eligible persons were less likely to participate in CETA than younger adults, a substantial part of the difference is accounted for by factors other than age, such as the fact that many older eligible individuals were retired and had no interest in taking further training for employment. The experience of older workers who are served under the Job Training Partnership Act can also be successful.

Current retirement policy has done much to relieve unemployment and poverty among older Americans. The economy appears capable of supporting the basic retirement programs for the next 25 years and perhaps beyond that. The Commission believes that older individuals should have flexibility in the choice between work and retirement so that the gradually increasing number of older persons may continue working after conventional retirement age if they choose to do so.

Appendices

Appendix A: Notes

1. Population estimates and projections used in the text are from the U.S. Bureau of Census, Population Estimates and Projections, *Current Population Reports,* Series P-25, No. 922, October 1982.

2. These projections are based upon the Bureau of Census middle range fertility (birth) assumptions which project only enough births to replace existing population. Because fertility rates have historically been subject to wide swings, it is difficult to project them with precision. This has implications for the numbers cited. For example, if fertility rates were to rise over the long run, as they have recently, the proportion of older people in the population would decline.

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13. For further information on Hispanic labor market problems, see: National Commission for Employment Policy, *Hispanics and Jobs: Barriers to Progress,* Report No. 14, U.S. Government Printing Office, Washington, D.C., September 1982.

14. Andrew I. Kohen, "Multiple Liability? A Survey and Synthesis of Research Literature Pertaining to Labor Market Problems of Selected Groups of Older Workers," National Commission for Employment Policy, Research Report Series (RR-83-12), 1983.

15. As one observer noted, "The fact that women are paid less per hour than men at the start of their careers explains only a modest proportion of the. . . adjusted earnings differential. . . the remaining differential is the result of the fact that the returns to experience are much more limited than for men. Isabel Sawhill, "The Economics of Discrimination Among Women: Some New Findings," *Journal of Human Resources,* Summer 1973 (383-396).

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17. Robert L. Clark, "Sources of Labor Market Problems of Older Persons Who Are Also Women, Handicapped, and/or Members of Minority Groups," National Commission for Employment Policy, Research Report Series (RR-83-05), 1983.

18. Herb Parnes, "Health, Pension Policy, and Retirement," National Commission for Employment Policy, Research Report Series (RR-83-16), 1983.

19. Congressional Budget Office, unpublished tabulation, 1983.

20. Marc Bendick, Jr. and Judith Radlinski Devine, "Workers Dislocated by Economic Change: Do They Need Federal Employment and Training Assistance?" National Commission for Employment Policy, *7th Annual Report* 13, Appendix B, pp. 175-219.

21. David Shapiro and Steven H. Sandell, "Age Discrimination and Labor Market Problems of Displaced Older Male Workers," National Commission for Employment Policy, Research Report Series (RR-83-10), 1983.

22. Terry R. Johnson et al, "Older Workers' Responses to Job Displacement and the Assistance Provided by the Employment Service," National Commission for Employment Policy, Research Report Series (RR-83-13), 1983.

23. Ibid.

24. David Shapiro and Steven H. Sandell, "Economic Conditions, Job Loss and Induced Retirement," paper presented at the Industrial Relations Research Association Meeting, Dallas, Texas," December 1984.

25. Terry Johnson, "Older Workers' Responses to Job Displacement."

26. Ibid.

27. Shapiro and Sandell, "Age Discrimination."

28. Shapiro and Sandell, "Economic Conditions."

29. U.S. Bureau of Labor Statistics, *Employment and Earnings*, January 1984, Table A-28, p. 43.

30. Harold L. Shepard and Richard E. Montavani, *Aging in the Eighties: Part-time Employment After Retirement*, National Council on the Aging, 1982.

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39. Kalman Rupp et al, "Eligibility and Participation Rates."

40. Kalman Rupp et al, "Factors Affecting the Participation."

41. Ibid.

42. Kalman Rupp et al, "Eligibility and Participation Rates."

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58. "Dependency" is used here in a technical sense only to distinguish between those in the labor force and those not in the labor force; it does not imply that individuals are necessarily physically or even financially dependent upon others. Likewise, the term "workers" is used to mean workers in the labor market even though homemakers and other unpaid workers provide valuable services to society. This is the standard economic definition of workers. This definition of workers allows a better understanding of the issues than a broader definition would, because tax supported programs, pensions and other support for retirees are largely based on taxes or contributions of paid workers.

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2	*Percentage of Total Population 65+, 1985–2050*, U.S. Bureau of the Census, Population Estimates and Projections, Current Population Reports, Series P-25, No. 922, October 1982.
3	*Life Expectancy at Birth for Males and Females, 1920–80*, U.S. Department of Health and Human Services, National Center for Health Statistics, Life Expectancy Data for 1979 and 1980, January 1984.
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7	*Labor Force Participation Rates for Men and Women, Age 45–54, 1950–80*, U.S. Department of Labor, *Employment and Training Report of the President, 1980* p. 224, and 1982 p. 155.
8	*Labor Force by Age, 1950–2000*, U.S. Bureau of Labor Statistics, *Handbook of Labor Statistics: Reference Edition 1950–1970*, p. 28; U.S. Bureau of Labor Statistics, *Employment and Earnings*, January 1981, pp. 166–167 for 1980; and U.S. Bureau of Labor Statistics, *Monthly Labor Review*, November 1983, p. 5 for 1980–1995. All projections for period after 1995 were developed by the National Commission for Employment Policy staff based on U.S. Bureau of Labor Statistics middle range assumptions.
9	*Unemployment Rates by Sex and Age, 1983 Annual Average*, U.S. Bureau of Labor Statistics, *Employment and Earnings*, January 1984, p. 158.
10	*Duration of Unemployment, by Age and Sex, 1982*, U.S. Bureau of Labor Statistics, *Employment and Earnings*, January, 1983 p. 171.
11	*Official Unemployment Rate and Unemployment Rate Including Discouraged Workers by Sex, Selected Ages and Selected Years—Annual Average*, Phillip L. Rones, "The Labor Market Problems of Older Workers," U.S. Bureau of Labor Statistics, *Monthly Labor Review*, May 1983, p. 4.
12	*Per Capita Income and Earnings, by Sex and Age, 1981*, U.S. Bureau of the Census, Current Population Reports, Series P–60, 1982, Tables 47 and 48, No. 137.
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14	*Percentage Below Poverty Level, All Persons and Persons 65+, 1959–82*. U.S. Bureau of the Census, Current Population Reports, Series P–60, No. 133, Table 1.
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Appendix D: Estimates of Labor Market Problems Using CETA Data

Figure 19 shows the number of low-income unemployed and underemployed people among various age groups in 1980. These are estimates of people eligible for Comprehensive Employment and Training Act training programs in 1980. Low-income people who are part of the labor force are considered to have labor market problems by the criteria used, whether they are employed or unemployed. People who are employed and still have low income are sometimes referred to as the "underemployed." Although the criteria used give a good general measure of employment problems, two groups are not included: (a) people who are unemployed but not poor and (b) people who are poor but not a part of the labor force, that is, they are not actively seeking employment.

Unemployed persons who have enough current or recent family income to keep them out of poverty still face labor market problems. This report also addresses their situation. For instance, the section on older workers who have lost their jobs includes both the poor and the nonpoor, as do all discussions of general unemployment rates.

The situation of people who are poor but not in the labor force is somewhat different. There are many more poor people than there are people with labor market problems, especially in the older age groups. The employment dimension of the poverty problem requires that the person be working or seeking work. This means that, for example, an 85-year-old woman who has no intention of working for pay does not have an employment problem even if she is living in poverty. Although the extent of poverty among older Americans is discussed, the focus in this report is on the employment dimension of poverty.

Among persons age 45 and over, the numbers show no dramatic increase in problems with age. There is, however, a small proportional increase in the 55–61 age bracket. The drop in measured problems after age 61 may be due to receipt of Social Security and pension benefits which imply adequate income or severed labor market connections for many people. The increase above age 65 shown on the chart may be considered somewhat artificial because, by the CETA definition used for the study, people were automatically considered unemployed if they received welfare benefits. Thus persons over 65 who received Supplemental Security Income (SSI) were included in the count even though they had no actual labor market attachment.*

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* Rupp et al, "Eligibility and Participation Rates. . ."

Appendix E: How Factors Affecting Wages are Measured

A variety of interdependent factors affect the wages people are paid. Ideally, to measure the effects of age discrimination on the wages of older workers it would be best to compare wages in a world without discrimination with the real one. Because such a world does not exist, we must be content with estimating the relationship between age and earnings, accounting for other factors that influence the wage rate. It is important to understand the relationship among age and earnings before reaching conclusions about the dimensions of age discrimination.

Researchers try to measure how wages reflect various characteristics of workers, their jobs, and their working environment. These characteristics include the following:

- Years of formal education, general labor force experience, and experience on a given job with a specific employer. These factors may measure knowledge and skills useful on the job that imply higher pay. They also represent the workings of seniority and other aspects of a company's pay structure;
- Personal characteristics such as age, health, sex, and race;
- Labor market characteristics which reflect overall demand for labor such as unemployment rates, labor market size, and regional employment patterns;
- Job-related employer characteristics such as whether the employer is in the public or private sector and whether the company is union or non-union and characteristics of the job.

Because any of these factors may affect the wage paid a given individual and because many are related to age, it is important to hold the others constant statistically before reaching conclusions about the effect of age on hourly earnings.

Appendix F: How Social Security Benefits are Calculated

A worker's monthly retirement benefit is based on a worker's average monthly earnings, indexed to the trend over time in the Social Security system-wide covered earnings and calculated Average Indexed Monthly Earnings (AIME). The basic retirement benefit, called the Primary Insurance Amount (PIA) is calculated by applying a mathematical formula to the AIME. The actual benefit paid to workers and families can be some fraction of the PIA because of early retirement, or a multiple of it because of additional spouse or children's benefits.

The mathematical formula that converts average, indexed, monthly earnings (AIME) to Primary Insurance Amounts (PIA) is "progressive." Persons with low earnings are favored relatively over persons with high earnings. The ratio of benefit to earnings is higher for low earners than for high earners. Thus, workers reaching age 62 in 1982 received increments in their PIA of 90 cents for each of their first $230 of monthly earnings, 32 cents for each additional dollar of earnings between $230 and $1,388, and only 15 cents for each additional dollar above $1,388 per month (up to the taxable maximum).

For illustration, a person with average indexed monthly earnings of $730 is entitled to a primary insurance amount of $367. This is the sum of $207 from within the first bracket of the computation formula (before the first "bend point of $230) and $160 from the $500 that falls within the second bracket ($230 and $1,388).

The increased generosity of benefit payments is probably both a cause and effect of older individuals' desire to leave the labor force. The higher benefits make it easier and more likely for persons to choose retirement over work. Looked at another way, the rise in national and per capita income could have led to a desire for earlier retirement and thus to the political decision to increase Social Security retirement benefits.

Appendix G: Pension Integration with Social Security—How it Works

Integration of an employer pension plan with Social Security, allowable under Internal Revenue Service rules, means that the pension plan is permitted to take into account the taxable wage base and tax rate of Social Security or the Social Security benefit amount when establishing the pension plan contribution or benefit level. IRS rules limit the extent to which integration is accomplished and the way it is done.

There are two basic approaches to integration. Social Security offset formulas are the most frequently used method. This approach directly reduces pension benefits by a percentage of the worker's Social Security primary benefit. The rate at which pension benefits can be reduced are limited to no more than 83 percent of the Social Security primary benefit.

The plan benefit is usually reduced 50 cents for each dollar of Social Security primary benefits. The second method is the step rate approach. Step rate integration formulas provide benefits that are a higher percentage of pay above a specified earnings level than below that level. That earnings level is usually equal to or related to earnings subject to Social Security contributions. If the pension benefit corresponding to earnings below the specified earnings level is zero, the plan is called an excess plan because benefits are based on earnings in excess of those subject to Social Security contributions.

Appendix H: National Commission for Employment Policy Older Workers Research Reports

Author	Title	RR#
Joseph M. Anderson (ICF Incorporated) David L. Kennell John F. Sheils	Estimated Effects of 1983 Changes in Employer Health Plan/Medicare Payment Provisions on Employer Costs and Employment of Older Workers	RR-83-15 83-15-A Appendices
Paul J. Andrisani (Temple) Thomas Daymont	Age, Productivity, and Earnings: A Case Study of a High-Tech Firm	RR-83-08
Robert L. Clark (North Carolina State U.)	Sources of Labor Market Problems of Older Persons Who Are Also Women, Handicapped, And/Or Members of Minority Groups	RR-83-05
Gary Fields Olivia s. Mitchell	Restructuring Social Security: How Will Retirement Ages Respond?	RR-83-05
James O. Gollub (SRI, Internat'l.)	Emerging Employment Options for Older Workers: Practice and Potential	RR-83-02
Terry R. Johnson (SRI Internat'l) Richard W. West Katherine P. Dickinson	Older Worker's Responses to Job Displacement and the Assistance Provided by Employment Service	RR-83-13
James M. Jondrow (CNA)	Older Workers in the Market for Part-Time Employment	RR-83-06
Andrew I. Kohen (James Madison University)	Multiple Liability? A Survey and Synthesis of Research Literature Pertaining to Labor Market Problems of Selected Groups of Older Workers	RR-83-12
Richard E. Mantovani Kalman Edward C. Bryant (Westat, Inc.)	Factors Affecting the Participation of Older Americans in Employment & Training Programs	RR-83-04 83-04-A Appendices
Herbert S. Parnes	Health, Pension Policy and Retirement	RR-83-16
Carolyn E. Paul (Ethel Percy Andrus Gerontology Center)	A Human Resource Management Perspective on Work Alernatives for Older Workers	RR-83-07
Cilla J. Reesman (Westat, Inc.) Kalman Rupp Richard E. Mantovani	Coordination and Cooperation Between SCSEP and CETA Operations	RR-83-03
Carol J. Romero	Retirement and Older Americans' Participation in Volunteer Activities	RR-83-01
Lawrence S. Root (U. of Michigan) Laura H. Zarrugh	Innovative Employment Practices for Older Americans	RR-83-14
Kalman Rupp (Westat, Inc.) Edward C. Bryant Richard E. Montovani	Eligibility and Participation Rates of Older Americans in Employment and Training Programs	RR-83-11
David Shapiro (Penn State) Steven Sandell	Age Discrimination and the Labor Market Problems of Displaced Older Male Workers	RR-83-10

Part B
Commission Activities, January 1983 through June 1984

During its first 10 years the Commission conducted research, prepared reports and made recommendations on how to improve the employment opportunities of various groups of workers, including women, blacks, youth, Hispanics and displaced workers. The Commission continues to follow the experience of the various groups of workers, but we are now focusing considerable attention on what jobs will be available in the future and what skills will be needed for those jobs. In particular, the Commission has underway a large-scale project on the impact of computer-based technology on employment, and is beginning to study the potential contribution of national employment policy to U.S. competitiveness in the world marketplace.

During the period of this report, January 1983 to June 1984, the Commission undertook a host of activities organized in four broad project areas, which are described in greater detail below. Major achievements included:

- a major study of the labor market problems facing older workers, the subject of this annual report;
- policy advice to the Secretary of Labor and quick dissemination to States and localities of a series of applied research projects designed to help in the difficult early days of implementing the Job Training Partnership Act;
- an independent assessment of the implementation of the Job Training Partnership Act, co-sponsored with the Ford, Rockefeller, and Charles Stewart Mott Foundations;
- support for an invaluable continuing survey of 1972 high school graduates that provides basic longitudinal research information on adult education and training;
- the overall design of a multi-year research effort on changes in the workplace and initiation of the first component, investigating the impact of computers on jobs and job requirements.

This section of the *Ninth Annual Report,* organized according to the four Commission work groups, briefly describes completed and ongoing projects. Appendix I identifies persons who have served on the Practitioners' Task Force, a Commission advisory panel, during the 18 months covered by this report. Appendix J contains the legally mandated comments on published reports of the National Advisory Council on Vocational Education. A full listing of Commission reports is presented in the back of this volume.

PROGRAMS AND POLICIES PROJECT

What works, when, and for whom? That's the question the Commission's project on programs and policies tries to address. Using applied research and current information, the Commission tries to develop practical advice for policymakers in charge of government employment activities. Commissioner Roderick Paige serves as Chairman of the Work Group on the Programs and Policies Project.

Job Training Partnership Act (JTPA)

JTPA Research

The Job Training Partnership Act took effect on October 1, 1983, replacing the expiring Comprehensive Employment and Training Act (CETA). JTPA assigns to the Commission important responsibilities for examining and evaluating the implementation and effectiveness of programs authorized by the Act.

As part of its mandate under JTPA, the Commission undertook a major independent assessment of the implementation of JTPA title II-A training programs for the disadvantaged. The researchers are examining the development of JTPA's administrative framework at both the State and local levels, the programs and services offered, client groups, and service providers, and coordination of JTPA with other education, employment and income support activities. The balance between labor market needs and participant needs is specifically addressed. The first report, based on interviews conducted using a sample of 57 service delivery areas in 37 States, in the autumn of 1983, was published and widely distributed in March 1984. (A second report covering the first 9 months of JTPA activity, was released in February 1985.) Data for the report were derived from interviews with the same sample of service delivery areas, along with a separate telephone survey of all States on State-level issues conducted in June 1984.

The Commission also initiated and saw the completion of two categories of short-term projects. The first was designed to provide practical program guidance to practitioners. Three technical assistance guides were produced to outline for States those options available for the use of the JTPA 6-percent performance incentive/technical assistance set-aside, the 10-percent Wagner-Peyser set-aside for Governors to provide incentive bonuses to local offices to pay for services to special population groups, or to cover the extra costs of exemplary programs; and the JTPA 3-percent set-aside for activities designed to serve older workers. A fourth paper presented program design options for nonstipended programs under JTPA. All four papers were distributed widely within the employment and training community.

The second category of projects was designed to develop baseline information about CETA programs for later comparisons with JTPA activities. They presented information on CETA activities and services and the status of coordination under CETA in FY 1983; the effects of reducing or eliminating participant stipends on client characteristics and program outcomes for selected CETA projects; and the effects of different forms of private sector participation on CETA client characteristics and program outcomes. Information gathered for these studies will be used in future comparisons of JTPA with CETA.

These research efforts, together with research planned for 1985, enables the Commission to respond to congressional inquiries about JTPA and to assist the Department of Labor in its general oversight responsibilities.

JTPA Performance Standards and Reporting Systems

The Job Training Partnership Act of 1982 establishes a strong, performance-based employment and training system. The Commission is mandated, under the Act, to advise the Secretary of Labor on the development of these performance standards and on the establishment of parameters for permitting variations in the standards. The law also requires the Commission to evaluate both "the usefulness" of such standards in measuring performance and their impact on the choice of who is served, what services are provided, and the costs of the services.

The Commission has taken an active role in developing recommendations to the Department of Labor throughout 1983 and the first half of 1984. In general, the Commission has supported the Department's activities and decisions relating to performance standards and has advocated that Governors use a national model to adjust local performance expectations in order to account for differences in economic conditions and participant characteristics across the Nation. The Commission has also recommended that standards for youth include all of the nonemployment outcomes permitted by the Act.

To ensure that the Commission's recommendations take day-to-day programmatic considerations into account, staff sit on the Department's Performance Standards Advisory Committee and have met regularly with Department officials and representatives of State and local administrators and practitioners. The Commission will continue to work closely with the Department and other groups as it develops further recommendations on JTPA performance standards.

The Commission has taken preliminary steps to assist in the development of model evaluation designs for States and for local areas. These evaluation designs and data bases are intended to provide the Commission with a large source of State and local information which, together with the national Job Training Longitudinal Survey, will assist the Commission in meeting its evaluation mandates under the Act.

JTPA Reporting

The Commission has a very active interest in reporting requirements under JTPA because of the close relationship between performance standards and reporting and evaluation systems. The Commission has taken the position that the JTPA reporting system must be consistent across States and local areas so that performance can be fairly compared and program information and innovations readily transferred. The reporting system must also contain enough data for the Federal Government to meet its statutory oversight responsibilities. The Commission has recommended that additional data be reported through the regular JTPA system that includes post-program (follow-up) data as well as some additional client information.

So that the employment and training community speaks one programmatic language, the Commission has also worked closely with public and business interest groups to encourage the development of a consistent JTPA reporting system across the Nation. The Commission specifically worked with the National Governors' Association to develop a recommended, minimum set of post-program data for States and local areas to collect until Federal requirements are established.

Finally, the Commission staff produced a comprehensive guide to the information that will be collected under current JTPA reporting requirements, and, at the request of the House Committee on Education and Labor, a compendium of recommendations for JTPA reporting.

California Hearings and Site Visits

To gather information about title II-A programs, the Commission and selected staff visited programs operated with these funds on June 6, 1984, in San Francisco and June 7 in San Diego. The purpose of these visits was to learn first-hand about the implementation of JTPA, particularly public/private sector partnerships, State-local roles, the impact of the reduction in allowances and work experience wages, coordination, and youth programming. The Commission also heard from State administrators and local private industry council and service delivery area representatives about JTPA implementation. Chairman Smith reported to Secretary Donovan the Commission's major findings with respect to the status of JTPA implementation in California, following these visits and discussions.

Practitioners' Task Force

A Practitioners' Task Force (PTF), established in 1983, provides an additional source of first-hand information to Commission and staff. The group identifies areas of concern of JTPA administrators at all levels and alerts the Commission to problems that might interfere with the program's successful implementation. Members represent State and local governments, the Job Service, private industry councils, and community-based organizations. Meetings of practitioners were held in November 1983 and March 1984, with discussions focused on such specific issues as early program enrollment problems, youth activities, effects of the unemployment rate on sub-State allocations of funds, and performance standards.

National Conference on Vocational Education and Training: Policy for Today and Tomorrow

The Commission cosponsored a conference, in collaboration with the National Advisory Council on Vocational Education (NACVE) and the U.S. Department of Education, in Washington on March 15 and 16, 1984, The purpose of the conference was to discuss how the vocational education system might evolve in response to future economic and social changes.

Insufficient information and funds to realign programs were emphasized as major barriers to achieving programs more in accord with the labor market. The need for adaptability to change implied a greater stress on basic literacy and math skills, and a lesser emphasis on job-specific training in vocational offerings at the secondary level. According to many of the speakers, post-secondary education will need to learn to deal with adult students as consumers. The role of private industry, both as a competitor for faculty and a purchaser of the system's "product," was recognized as increasingly important.

A summary report of the conference proceedings is available from the National Council on Vocational Education.

National Longitudinal Survey of the Class of 1972 (NLS-72)

In August 1983, the Commission and the National Center for Education Statistics (NCES) of the U.S. Department of Education signed an interagency agreement under which NCEP provided major financial support to NCES in its NLS-72 Consortium Building and Transcripts Study. The consortium approach has proven to be valuable. It has allowed the survey to be more extensive and obtain more information of particular relevance to the Commission's concerns. In particular, studies of the relationship between education and employment success will be better able to identify which components of the educational experience are most closely associated with labor market outcomes. The survey is being conducted by the National Opinion Research Center.

The survey is proceeding on schedule in its two major components: (1) preparation for the 1986 Fifth Follow-up of the NLS-72 sample, to survey over 10,000 1972 high school graduates; (2) enriching the survey data base by collecting post-secondary schooling transcript information from the institutions attended by sample members since 1972.

NATIONAL EMPLOYMENT POLICY AND OLDER AMERICANS PROJECT

The Commission completed a comprehensive examination of the labor market problems of older Americans and national employment policies that affect them. The Commission's findings and recommendations were presented as part A.

Commissioner Paul Locigno served as Chairman of the National Employment Policy and Older Americans project.

A Commission-sponsored conference was part of the background work for its report. This conference, which focused on studies related to national employment policy and older Americans, was devoted to assessing the research findings and their policy implications. The studies were cosponsored by the Employment and Training Administration of the Department of Labor and are listed in the Research Report Series near the end of this report. Policymakers, researchers, and representatives of interest groups participated in the conference.

The Commission undertook an expanded dissemination of its findings on employment policies for older Americans because much of the information it had collected had important applications for local and State government, program operators, and the private sector. Additional segments of the project included:

(1) A strategy development guide, *Older Worker Employment Comes of Age: Practice and Potential,* which informs private sector, local and state public sector, and community organization personnel as to what can be done to improve the employment prospects of older workers.

(2) Conferences to disseminate NCEP information at the local level and involve local private and public sector individuals and groups in cooperative discussions of the problems and potential of older workers were held across the country in Nashville, Tampa, Cleveland, Boston and San Francisco.

(3) A technical assistance handbook, *A Practioner's Guide for Training Older Workers,* intended to assist persons responsible for developing and administering programs using 3 percent set-aside funds for persons 55 and over under the Job Training Partnership Act.

CHANGES IN THE WORKPLACE PROJECT

At its April 1984 meeting, the Commission approved "the employment impacts of changes occurring in the workplace" as an underlying theme of a long-term workplan. This workplan consists of several discrete projects, each focusing on a different factor that affects the number and types of job opportunities. The first project is investigating the effects of technological change, specifically computers and computer-based equipment, on job opportunities.

Commissioner D. Quinn Mills serves as the Chairman of the Work Group on the Changes in the Workplace.

Three questions guide the work on the employment effects of computer-based equipment:

- To what extent might the use of computers and computer-based equipment, either in the production process or in the form of new products, alter patterns of job growth or decline in occupations and industries? Which industries and occupations will be most affected? Will there be geographic and international dimensions of these changes?
- To what extent will the various types of computer-based equipment change the amount and type of education and training required for occupations?
- Will workers and potential workers have the requisite education, training and experience that must accompany the introduction of this equipment into the workplace?

These questions are being addressed through new research, a synthesis of existing materials, site visits and discussions with people knowledgeable in the area. The Commission's policy statement and the staff background paper are scheduled for issuance at the end of calendar year 1985.

The second project in the long-term workplan will focus on the relationship between employment and training policies and America's international competitiveness. The Commission is beginning exploratory work on the policy issues of concern in this area.

Displaced Workers

The Commission has had a long-standing concern over displaced workers; their problems and the effectiveness of policies designed to alleviate their difficulties. To assist in developing policies that aid these workers, the staff prepared a paper "Displaced Workers: New Options for a Changing Economy," at the request of the Senate Budget Committee. This paper has been widely circulated in the policy community and has been discussed at several policy conferences. Also, the Commission endorsed or cosponsored five conferences on dislocated workers, two organized by the National Alliance of Business, and one each by the Brookings Institution, the University of Rhode Island, and Cornell University. At each conference staff members served as presenters or discussion leaders, as well as providing advice on the agenda.

The Commission funded a cooperative study of displaced workers, using Unemployment Insurance data for five States (Missouri, Nevada, Pennsylvania, South Carolina and Washington) at the request of the U.S. Department of Labor. The final report formed the Department of Labor's response to a congressional request for a study of structural unemployment. A second study of Unemployment Insurance systems summarizes recent innovations States are making, such as partial UI payments for persons on short work weeks. The reports are available as part of the Commission's Research Report Series.

Another area in which the Commission actively participated is in the development of legislative proposals. For example, congressional staff have sought the Commission's advice, and staff members have independently prepared analyses of several proposals, such as the Individual Training Account.

Future work on displacement issues will in part be linked to the Changes in the Workplace project. Another part will follow the development of programs for displaced workers authorized under JTPA Title III.

SPECIAL PROJECTS

The Special Projects Work Group is primarily responsible for the development of proposals for a broadly defined national employment policy—an employment policy that involves employers, labor organizations, and education as well as Federal, State and local governments. Early work in the employment policy area focused on information gathering and consensus-building.

Commissioner Kenneth M. Smith is Chairman of the Work Group.

Employment Policy

The Commission adopted a position paper that was subsequently published as *An Employment Policy for America's Future*. This paper provided an overview of the then-current employment situation and also examined potential future trends. It also proposed a framework for the development of a national employment policy that recommended greater prominence to employment concerns in general economic policymaking, a partnership among the major sectors of society in employment policy, and suggested principles and actions that should guide employment policy.

This position paper provided the foundation for more extended and more detailed work on an employment policy. The objective of the Commission's plan is to develop specific proposals for such a policy that can be understood readily and applied consistently.

Developing effective employment policy provides an organizing principle for all of the Commission's work during the next several years. The Commission's examination of changes in the work place, and changes in the workforce, are part of its work in this area.

Needs of Employers

This project was designed to "improve the Commission's knowledge of what employers require, and what kinds of employment and training programs are most helpful...," as described in the *8th Annual Report*. In the summer of 1983, Commission-sponsored reports were received that examined: (1) the characteristics of firms that are likely to participate in employment and training programs, and (2) employment recruitment practices.

Additional work was done on business-education partnerships during 1983. The Commission sponsored research papers on separate aspects of such partnerships and their relation to employment: One identified several critical elements for creating and sustaining cooperative relationships; the other catalogued and analyzed different types of employer-education partnerships that run the gamut from elementary to 2-year post-secondary education. The papers were issued as independent research reports in the Spring of 1984.

Meeting with British Manpower Leader

The Commission held a policy dinner with the Honourable David I. Young, Chairman of the British Manpower Services Commission in March 1984. Mr. Young discussed the Youth Employment Scheme, a relatively new employment initiative being tried in the United Kingdom. Participants at the dinner meeting included Members of Congress, Commissioners and prominent members of the employment and training community. The assistance and financial support of the German Marshall Fund of the United States in planning and holding this dinner are gratefully acknowledged.

Appendix I: Practitioners' Task Force

In planning projects and conducting research, the Commission often seeks the advice and guidance of experts in particular subject areas. These experts include academicians, educators, business representatives, labor leaders, community groups, and others with special expertise.

Our ongoing advisory group, called the Practitioners' Task Force (PTF), has been in existence since the summer of 1983. State and local administrators of JTPA programs, the Job Service, and educational agencies, as well as representatives from private industry councils and community-based organizations, meet regularly to alert Commission staff to program implementation issues and concerns. Members of the Practitioners' Task Force during the period of this report are as follows:

Garnett W. Brown
Director, Community Services and Job Training
Fulton County
Atlanta, Georgia

Edward Canning
Apprentice Training Director
United Brotherhood of Carpenters and Joiners of America
Norwalk, Connecticut

*Ralph G. Cantrell
Commissioner, Virginia Employment Commission
Richmond, Virginia

John B. Clarke
Manager, Public Affairs
General Electric Company
Louisville, Kentucky

Patrick Colley
Director, Mayor's Employment and Training Resources Agency
Nashville, Tennessee

J. Herbert Dahm, Jr.
Chairman, PIC of Rockland County, Inc.
President, Hutton-Johnson Co., Inc.
Nanuet, New York

Ronald H. Davis
Vice President Industrial Relations
Carolina Steel Corporation
Greensboro, North Carolina

Barclay Gardner
Administrator
Department of Employment Security
Salt Lake City, Utah

*Emily Glines
Director, Career Preparation Centers
San Mateo County Superintendent of Schools
Redwood City, California

Laurie Lopez-McNulty
Project Director
United Labor Agency
Hartford, Connecticut

*Jerald T. McNeil
Director, Colorado Office of Rural Job Training
Denver, Colorado

*Anne Matthews
Chief Supervisor
Program Planning and Development
Department of Education
Columbia, South Carolina

Randy Miller
Executive Director
The Oregon Consortium
Albany, Oregon

Ronald Montgomery
Legislative Liaison
Virginia Employment Commission
Richmond, Virginia

Marian Noel
Program Director/SCSP
Urban League of Westchester County, Inc.
White Plains, New York

Marsha M. Oliver
President, Indianapolis Alliance of Jobs, Inc.
Indianapolis, Indiana

George L. Ortiz
Corporate President
California Human Development Corporation
Windsor, California

Marlene Seltzer, Director
Eastern Middlesex Human Resource Development Authority
Cambridge, Massachusetts

Pat Tarrer, Coordinator
Youth Employment and Training Programs
Columbia, South Carolina

Mr. Jose Villarreal, Director
SER-Jobs for Progress, Inc.
Houston, Texas

*Federico Zaragoza
Executive Director
Governor's Employment and Training Office
Madison, Wisconsin

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*Resigned from the task force prior to end of June 1984.

Appendix J: Comments of the National Commission for Employment Policy on the Reports of the National Advisory Council on Vocational Education

Under its authorizing legislation, the National Commission for Employment Policy is mandated to comment annually on the reports published by the National Advisory Council on Vocational Education (the Council). Since the Commission's *Eighth Annual Report* was published in December 1982, the Council has issued the following documents:

1. In February 1983, the Council testified on the Federal role in vocational education before the Subcommittee on Education, Arts and Humanities of the United States Senate. Similar testimony was presented to the House Education and Labor Committee in June 1983. In the reauthorization of the Vocational Education Act, the Council urged that the Federal emphasis should be on assisting States to upgrade, modernize and expand vocational programs. Federal funds should be restricted to program improvement and leadership and expansion of activities to promote quality and excellence. Expanded cooperative efforts with employers, and improving access to vocational education for handicapped, minority, female and older students were viewed as strategies to help achieve these goals.

The Commission is generally in accord with the priorities and strategies advocated by the Council. Its call for a National Human Resources Policy is especially welcome as being consistent with the Commission's April 1983 statement on the need for an "American Employment Policy." An area in which the Council might usefully do further work is identifying and making more widely known the operational details of the incentives for business called for in the statement to "join in a cooperative effort with vocational education in planning for changing technology...retraining...business donations...cooperative education work experiences and...an exchange of teachers and workers...." (p.7.)

2. In cooperation with the Commission and the State Advisory Councils, the National Council held a series of regional hearings in April and May 1983. (Cities and dates were Dallas, April 12; Atlanta, April 21; San Francisco, May 3; Chicago, May 19; and Boston, May 24). More than 60 persons from the private sector shared their expectations of vocational education's role in increasing productivity, and discussed ways to improve education-business relationships. A written report has been published, "A Nation at Work," in cooperation with the Commission and the National Alliance of Business.

3. In March 1983, a Council report to the State Advisory Councils suggested ways in which vocational education could participate in the implementation and operation of programs under the Job Training Partnership Act (JTPA). A follow-up study by the Council on the extent to which participation occurred would be a useful counterpart to the Commission's ongoing monitoring of JTPA.

4. The Council's Annual Report for 1982 was issued on March 30, 1983. It reviewed the membership and activities of the Council during 1982.

5. In July 1983, Dr. Richard D. Ruff prepared for the Council a paper entitled, "A Discussion Platform for the Future of Vocational Education." This document served as background reading for the March 1984 Council conference in Washington on the challenges facing vocational education over the next 15 years. The Commission's concern and support for this activity are evidenced by its co-sponsorship of this important conference.

6. Also, in July 1983, the Council, in cooperation with the President's Committee on Employment of the Handicapped, issued a study on the "Impact of State Comprehensive Agreements on Local Vocational Education Programs for Handicapped Youth." Such agreements, the study found, were associated with improved coordination and delivery of services on the local level to handicapped youth in special and vocational programs. The major problem, the study found, was that only seventeen States have such comprehensive cooperative agreements. One State without an agreement, Missouri, was studied for the Commission in 1981 with respect to vocational programs for work-injured adults. The lack of coordination, information sharing and cross-agency referral was found by the researchers to be a major reason for poor service delivery. This suggests to the Commission that the Council may wish to recommend Federal encouragement to the States on implementing cooperative agreements for both youth and adults.

7. In its Position Statement on Vocational Education for Students with Disabilities, issued August 18, 1983, the Council called for Federal agencies to engage in two major activities: technical assistance and data collection. This leaves unresolved the issue of a Federal role in achieving the objective of "expansion of appropriately designed vocational programs for disabled students." Some States are well advanced in the process of bringing handicapped students into the educational and economic mainstream. Other States may need more encouragement. Programs targeted on present and potential employers to aid former students as they move into the world of work seem a needed further step. The Council could be very helpful in its technical assistance function by disseminating proven program designs.

The Council is to be commended for its attention to these issues, and the others discussed above.

A common thread in all of these activities has been the Council's stress on State and local activities and the recognition of diversity of problems and solutions. Members of the Commission who participated in the Council hearings unanimously found them enlightening. The Commission will continue to work with the Council on vocational education reauthorization, and on the other issues we have identified.

Research Report Series of the National Commission for Employment Policy, 1983-1985

Retirement and Older Americans' Participation in Volunteer Activities, Research Report 83-01, June 1983

Emerging Employment Options for Older Workers: Practice and Potential, Research Report 83-02, Spring 1983

Coordination and Cooperation Between SCSEP and CETA Operations, Research Report 83-03, Spring 1983

Factors Affecting the Participation of Older Americans in Employment & Training Programs, Research Report 83-04, Spring 1983 (*Appendices,* Research Report 83-04-A)

Sources of Labor Market Problems of Older Persons Who Are Also Women, Handicapped, And/Or Members of Minority Groups, Research Report 83-05, May 1983

Older Workers in the Market for Part-Time Employment, Research Report 83-06, Spring 1983

A Human Resource Management Perspective on Work Alternatives for Older Workers, Research Report 83-07, Spring 1983

Age, Productivity, and Earnings: A Case Study of a High-Tech Firm, Research Report 83-08, Spring 1983

Restructuring Social Security: How Will Retirement Ages Respond?, Research Report 83-09, April 1983

Age Discrimination and Labor Market Problems of Displaced Older Male Workers, Research Report 83-10, June 1983

Eligibility and Participation Rates of Older Americans in Employment and Training Programs, Research Report 83-11, June 1983 (*Appendices,* Research Report 83-11-A)

Multiple Liability? A Survey and Synthesis of Research Literature Pertaining to Labor Market Problems of Selected Groups of Older Workers, Research Report 83-12, March 1983

Older Workers' Responses to Job Displacement and the Assistance Provided by the Employment Service, Research Report 83-13, April 1983

Innovative Employment Practices for Older Americans, Research Report 83-14, May 1983

Estimated Effects of 1983 Changes in Employer Health Plan/Medicare Payment Provisions on Employer Costs and Employment of Older Workers, Research Report 83-15, June 1983 (*Appendices,* Research Report 83-15-A)

Health, Pension Policy, and Retirement, Research Report 83-16, January 1983

Displaced Workers: New Options for a Changing Economy, Research Report 83-17, February 1983

Reorganization of the Department of Labor: An Analysis, Research Report 83-18, February 1983

Present and Projected Economic Conditions and Employment and Training Policies, Resarch Report 83-19, February 1983

Public Job Creation and the Current Recession: An Analysis of the Alternatives, Research Report 83-20, February 1983

Private Sector Job Creation, Research Report 83-21, February 1983

Issues in Assisting "Economic Disaster Areas," Research Report 83-22, March 1983

A Methodology for Determining the Effect of Reducing Support Payments on the Participant Characteristics and Performance of Job-Training Programs, Research Report 83-23, March 1983

Voucher-Based Training for the Long-Term Unemployed, Research Report 83-24, April 1983

Illegal Immigration: U.S. Economic and Labor Market Impacts, Research Report 83-25, April 1983

A National Job Bank: A New Opportunity, Research Report 83-26, April 1983

Work Experience, Research Report 83-27, April 1983

Private Sector Participation in Employment and Training Programs: Analysis and Policy Implications, Research Report 83-28, July 1983

Partnerships Between Corporations and Schools, Research Report 83-29, August 1983

Recruiting Workers, Research Report 83-30, August 1983

Tracking the Transition (Round II): A Report on the Status of State and Local Preparations for Implementation of JTPA, Research Report 83-31, August 1983

A Proposal for the Development of a Coherent Delivery System for Federal Employment and Training Programs, Research Report 83-32, September 1983

Becoming Partners: How Schools and Companies Meet Mutual Needs, Research Report 83-33, August 1983

Short-Term Evaluation and Research Issues for the JTPA of 1982 — Impact of Different Forms of Private Sector Participation on Client Characteristics and Program Outcomes: Final Report, Research Report 83-34, December 1983

Managing the Ten Percent Set-Aside, Research Report 83-35, December 1983

Managing the Six Percent Set-Aside, Research Report 83-36, December 1983

The Effect of Eliminating Allowances From CETA Training Programs: Some Preliminary Findings, Research Report 84-01, January 1984

Program Design Options for Non-Stipended Programs, Research Report 84-02, February 1984

An Independent Sector Assessment of the Job Training Partnership Act, Research Report 84-03, March 1984

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This volume is dedicated to the memory of Daniel H. Saks, Director of the National Commission for Employment Policy from July 1980 to January 1982. His colleagues and friends will miss his leadership, encouragement, and sense of humor.

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